

Unaudited Annual Financial Statements 2015/2016



SWARTLAND MUNICIPALITY

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SWARTLAND MUNICIPALITY

GENERAL INFORMATION AT 30 JUNE 2016

Swartland Municipality (the municipality) is a category B, medium capacity, local government institution in Malmesbury, Western Cape. The addresses of its registered office and principal place of business are disclosed hereunder and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Constitution.

Reporting entity's mandate

The reporting entity (hereinafter 'the Entity') is a medium-capacity, category B local authority established in terms of section 151 of the Constitution of the Republic of South Africa (Act 108 of 1996).

The principal activities of the Entity are to:

- * provide democratic and accountable government to the local communities;
- * ensure sustainable service delivery to communities;
- * promote social and economic development;
- * promote a safe and healthy environment; and
- * encourage the involvement of communities and community organisations in the matters of local government.

The Entity's operations are governed by the Local Government: Municipal Finance Management Act (MFMA) (Act 56 of 2003), Municipal Structures Act (Act 117 of 1998), Municipal Systems (Act 32 of 2000) and various other acts and regulations.

MAYOR	Councillor T van Essen
DEPUTY MAYOR	Councillor M S I Goliath
SPEAKER	Councillor N J A Rust

MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE:

Chairperson	Councillor T van Essen
Member	Councillor M S I Goliath
Member	Councillor M Rangasamy
Member	Councillor M van Zyl
Member	Councillor R F Van der Westhuizen
Member	Councillor W Wilskut

CHAIRPERSONS OF THE PORTFOLIO COMMITTEES :

Administration and Finance	Councillors M van Zyl (Administration) / M Rangasamy (Finance)
Community Safety and Development Services	Councillors M van Zyl (Community Safety) / W Wilskut (Development Services)
Civil and Electrical Services	Councillor R F van der Westhuizen

MEMBERS OF THE FINANCIAL AUDIT COMMITTEE:

Chairperson	Ms M Roos
Member	Mr A Theron
Member	Ms L Waring

MEMBERS OF THE PERFORMANCE AUDIT COMMITTEE:

Chairperson	Ms M Roos
Member	Mr A Theron
Member	Ms L Waring

GRADING OF THE LOCAL AUTHORITY:

Grade 4

AUDITORS:

Auditor-General			
No 17			
Park Lane Building			
Cnr Oasis and Park Lanes	Private Bag X 1		
Century City	Chempet	Telephone	021-528 4100
7441	7442	Fax	021-528 4201

BANKERS:

ABSA Bank			
50 Voortrekker Road	P.O. Box 75		
MALMESBURY	MALMESBURY	Telephone	022-482 7900
7300	7299	Fax	022-487 2026

SWARTLAND MUNICIPALITY

GENERAL INFORMATION AT 30 JUNE 2016 (continued)

LEGAL COUNCIL

Terblanche, Slabber and Pieters

8 Truter Street

MALMESBURY

7300

P.O. Box 38

MALMESBURY

7299

Telephone

022-482 2978

Fax

022-482 1749

Du Plessis and Mostert

13 Piet Retief Street

MALMESBURY

7300

P.O. Box 5

MALMESBURY

7299

Telephone

022-482 1101

Fax

022-482 1248

Roux and Van Dyk

42 Main Road

MOORREESBURG

7310

P.O. Box 4

MALMESBURY

7310

Telephone

022-433 2206

Fax

022-433 1940

Bradley Conradie, Halton and Cheadle

The Gatehouse - G04

Century Way

Century City

CAPE TOWN

7441

The Gatehouse - G04

Century Way

Century City

CAPE TOWN

7441

Telephone

021-418 2196

Fax

021-418 2197

REGISTERED OFFICE:

1 Church Street

MALMESBURY

7300

Private Bag X 52

MALMESBURY

7299

Telephone

022-487 9400

Fax

022-487 9440

MUNICIPAL MANAGER

J J Scholtz

DIRECTOR: FINANCIAL SERVICES:

Vacant

COUNCIL MEMBERS OF THE SWARTLAND MUNICIPALITY

Councillor

Abrahams Z

Cleophas J H

Cloete C M

Cox-Chetty Y S

Fortuin C

Geel B W

Goliath M S I

Humphreys F S

Papers C H

Philander D B

Rangasamy M

Rust N J A

Councillor

Sedeman A C

Sneewe A M

Stanley B J

Stemele O M

Traut L

Van der Merwe J I

Van der Westhuizen R F

Van Essen T

Van Zyl M

Wilskut W

Zatu N S

SWARTLAND MUNICIPALITY**ANNUAL FINANCIAL STATEMENTS****for the year ended****30 June 2016*****APPROVAL OF ANNUAL FINANCIAL STATEMENTS***

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 100 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of councillors and political office bearers as disclosed in note 35 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



J.J. Scholtz

31/08/2016

Date

SWARTLAND MUNICIPALITY**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016**

	Note	2016 R	2015 Restated R
ASSETS			
Current assets		385 444 724	330 361 988
Cash and Cash Equivalents	2	299 134 038	245 545 396
Receivables from Exchange Transactions	3	47 939 972	44 228 914
Receivables from Non-Exchange Transactions	4	26 343 640	30 621 109
Inventory	5	9 514 296	8 632 267
VAT Receivable	6	2 449 167	1 271 009
Operating lease receivable	7	41 903	42 183
Current Portion of Long-term Receivables	12	18 184	16 356
Current Portion of Finance Lease Receivables	13	3 524	4 754
Non-current assets		1 805 136 011	1 794 136 547
Property, plant and equipment	8	1 772 525 503	1 763 469 742
Investment property	9	29 170 620	26 638 601
Intangible Assets	10	2 480 389	3 046 997
Heritage Assets	11	769 900	769 900
Long-term receivables	12	179 336	197 520
Finance lease receivables	13	10 263	13 787
Total Assets		2 190 580 735	2 124 498 535
LIABILITIES			
Current liabilities		102 918 622	97 375 642
Payables from exchange transactions	14	75 074 090	72 491 855
Consumer deposits	15	9 376 686	8 714 594
Current portion of Employee benefit liabilities	18	3 084 051	2 221 825
Current Portion of long-term borrowings	16	4 450 962	3 993 622
Unspent conditional grants and receipts	20	6 033 773	5 727 479
Provisions	18	3 605 627	3 165 999
Current portion of Finance lease liabilities	16	1 125 104	940 357
Operating lease liability	7	168 329	119 911
Non-current liabilities		193 517 019	190 386 741
Long-term borrowings	16/17	129 032 783	133 483 745
Finance lease liabilities	16	-	903 619
Employee benefit liabilities	21	64 484 236	55 999 377
Total Liabilities		296 435 641	287 762 383
NET ASSETS			
Total Net Assets		1 894 145 094	1 836 736 152
Statutory Funds	22	211 307	232 417
Reserves	23	140 706 563	100 000 000
Accumulated Surplus	24	1 753 227 224	1 736 503 735
Total Net Assets and Liabilities		2 190 580 735	2 124 498 535

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2016

	Note	Actual 2016 R	Restated Actual 2015 R
REVENUE			
Revenue from Non-exchange Transactions		251 988 878	210 428 045
Taxation Revenue		79 973 021	73 330 505
Property rates	25	79 973 021	73 330 505
Transfer Revenue		150 896 263	105 746 495
Government grants and subsidies: Operating	26	42 075 284	21 534 599
Government grants and subsidies: Capital	26	54 545 959	39 565 334
Unconditional Government grants	26	51 772 000	43 093 000
Public Contributions and donations	27	1 500 000	1 512 000
Other Contributions	27	980 440	41 562
Donated Property, Plant and Equipment		22 580	-
Other Revenue from non-exchange transactions		21 119 594	31 351 045
Fines	28	17 351 387	27 677 549
Licences and permits	29	3 768 207	3 673 496
Revenue from Exchange Transactions		360 877 940	324 938 744
Operating Activities		356 403 136	321 548 798
Service charges	30	305 357 952	270 889 502
Rental of facilities and equipment	31	3 646 065	3 427 380
Interest earned - external investments	32	20 215 070	16 370 827
Interest earned - outstanding debtors	32	1 748 686	1 698 295
Income for agency services		3 558 400	3 104 549
Gains on Disposal of Property, Plant and Equipment		419 152	1 341 042
Other revenue from exchange transactions	33	21 457 811	24 717 203
Sale of Land Inventories		4 474 804	3 389 946
Revenue on sale of land		4 982 520	4 907 522
Cost of land sold		507 716	1 517 576
Total Revenue		612 866 818	535 366 789
EXPENDITURE			
Employee related costs	34	156 127 394	135 230 511
Remuneration of Councillors	35	8 643 929	8 173 670
Debt impairment	3/4	10 488 115	16 004 706
Depreciation and Amortisation	36	73 218 175	73 758 162
Asset impairment	36	542 683	66 244
Repairs and maintenance	38	30 293 061	19 640 261
Finance costs	37	14 483 511	14 767 582
Bulk purchases	39	187 832 391	162 971 555
Contracted services	40	3 661 461	3 554 164
Grants and subsidies paid	41	2 033 134	1 998 840
General expenses	42	63 862 916	51 525 570
Loss on disposal of property, plant and equipment		4 271 106	28 473 972
Total Expenditure		555 457 876	516 165 237
SURPLUS/(DEFICIT) FOR THE YEAR		57 408 942	19 201 552

SWARTLAND MUNICIPALITY**STATEMENT OF CHANGES IN NET ASSETS**
FOR THE YEAR ENDED 30 JUNE 2016

	Statutory Fund R	Reserves R	Accumulated Surplus/ (Deficit) R	Total R
Balance at 01 July 2014	253 282	87 002 707	1 730 203 269	1 817 459 258
Correction of error (Note 58)	-	-	75 342	75 342
Restated balance	253 282	87 002 707	1 730 278 611	1 817 534 600
Restated Deficit for the year	-	-	19 201 552	19 201 552
Transfer to Capital Replacement Reserve	-	68 066 283	(68 066 283)	-
Property, plant and equipment purchased	-	(55 068 990)	55 068 990	-
Transfer to Statutory Fund	(20 865)	-	20 865	-
Restated Balance at 30 June 2015	232 417	100 000 000	1 736 503 735	1 836 736 152
Surplus for the year	-	-	57 408 942	57 408 942
Transfer to Capital Replacement Reserve	-	67 004 028	(67 004 028)	-
Property, plant and equipment purchased	-	(26 297 465)	26 297 465	-
Statutory Fund	(21 110)	-	21 110	-
Balance at 30 June 2016	211 307	140 706 563	1 753 227 224	1 894 145 094

SWARTLAND MUNICIPALITY**STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2016**

	Note	2016 R	2015 Restated R
CASH FLOW FROM OPERATING ACTIVITIES			
<u>Receipts</u>			
Cash receipts from ratepayers, government and other		591 493 891	497 189 700
Cash paid to suppliers and employees		(452 422 238)	(377 407 403)
Cash generated from operations	43	139 071 653	119 782 297
Interest received	32	20 215 070	16 370 827
Finance costs	37	(14 483 511)	(14 767 582)
NET CASH FROM OPERATING ACTIVITIES		144 803 212	121 385 542
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	8	(85 734 201)	(95 674 795)
Purchase of intangible assets	10	(8 136)	(2 444 373)
Purchase of investment properties	9.	(1 200 000)	-
Heritage Assets	11	-	(2 634)
Proceeds on disposal of property, plant and equipment		419 151	1 341 042
Decrease in long- term receivables	12/13	21 110	20 865
NET CASH FROM INVESTING ACTIVITIES		(86 502 076)	(96 759 895)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	2 348 779
Repayment of borrowings		(4 712 494)	(4 423 991)
NET CASH FROM FINANCING ACTIVITIES		(4 712 494)	(2 075 212)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		53 588 642	22 550 435
		53 588 642	22 550 435
Cash and cash equivalents at the beginning of the year		245 545 396	222 994 961
Cash and cash equivalents at the end of the year	2	299 134 038	245 545 396

The purchase of property, plant and equipment does not include the contributed non- financial assets to the amount of R 139 001 and Investment Property of R 2 134 501.

SWARTLAND MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

Description	Original Budget	Budget Adjustments	Final Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
<u>FINANCIAL POSITION</u>										
<u>ASSETS</u>										
Current assets	246 002 157	81 882 282	327 884 439	-	327 884 439	385 454 987	-	57 570 548	118	157
Cash and Cash Equivalents	182 619 479	44 303 754	226 923 233	-	226 923 233	299 134 038	-	72 210 805	132	164
Consumer Debtors	48 160 124	4 981 578	53 141 702	-	53 141 702	55 048 304	-	1 906 602	104	114
Sundry Debtors	8 894 914	31 499 516	40 394 430	-	40 394 430	21 740 165	-	(18 654 265)	54	244
Current Portion of Long-term Receivables	23 500	(2 390)	21 110	-	21 110	18 184	-	(2 926)	86	77
Inventory	6 304 140	1 099 824	7 403 964	-	7 403 964	9 514 296	-	2 110 332	129	151
Non-current assets	1 832 356 027	(28 559 068)	1 803 796 959	-	1 803 796 959	1 805 125 748	-	1 328 789	100	99
Long- term receivables	185 417	4 780	190 197	-	190 197	179 336	-	(10 861)	94	97
Investment property	27 955 626	(1 550 376)	26 405 250	-	26 405 250	29 170 620	-	2 765 370	110	104
Property, plant and equipment	1 802 606 527	(29 062 619)	1 773 543 908	-	1 773 543 908	1 772 525 503	-	(1 018 405)	100	98
Intangible Assets	841 191	2 046 513	2 887 704	-	2 887 704	2 480 389	-	(407 315)	86	295
Other non-current assets	767 266	2 634	769 900	-	769 900	769 900	-	-	100	100
Total Assets	2 078 358 184	53 323 214	2 131 681 398	-	2 131 681 398	2 190 580 735	-	58 899 337	103	105
<u>LIABILITIES</u>										
Current liabilities	99 740 097	5 748 359	105 488 456	-	105 488 456	102 918 622	-	(2 569 834)	98	103
Current Portion of long-term borrowings	5 399 350	(348 388)	5 050 962	-	5 050 962	5 576 066	-	525 104	110	103
Consumer deposits	9 031 893	467 014	9 498 907	-	9 498 907	9 376 686	-	(122 221)	99	104
Payables from exchange transactions	78 308 012	6 413 702	84 721 714	-	84 721 714	81 276 192	-	(3 445 522)	96	104
Provisions	7 000 842	(783 969)	6 216 873	-	6 216 873	6 689 678	-	472 805	108	96
Non-current liabilities	192 330 555	(1 707 238)	190 623 317	-	190 623 317	193 517 019	-	2 893 702	102	101
Long-term borrowings	134 983 745	(5 647 343)	129 336 402	-	129 336 402	129 032 783	-	(303 619)	100	96
Provisions	57 346 810	3 940 105	61 286 915	-	61 286 915	64 484 236	-	3 197 321	105	112
Total Liabilities	292 070 652	4 041 121	296 111 773	-	296 111 773	296 435 641	-	323 868	100	101
<u>NET ASSETS</u>										
Total Net Assets	1 786 287 532	49 282 093	1 835 569 625	-	1 835 569 625	1 894 145 094	-	58 575 469	103	106
Reserves	87 255 989	12 976 428	100 232 417	-	100 232 417	140 917 870	-	40 685 453	141	161
Accumulated Surplus	1 699 031 543	36 305 665	1 735 337 208	-	1 735 337 208	1 753 227 224	-	17 890 016	101	103
Total Net Assets	2 078 358 184	53 323 214	2 131 681 398	-	2 131 681 398	2 190 580 735	-	58 899 337	103	105

SWARTLAND MUNICIPALITY**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016****BUDGET COMPARISONS:****FINANCIAL POSITION****Current Assets:**

Differences were identified between the disclosure requirements in terms of GRAP and the reporting requirements in terms of National Treasury. In the Budget Statement of Financial Position consumer debtors consist of receivables from exchange and non-exchange transactions. The budget format does not allow for various debtor balances to be disclosed separately. For this reason Operating leases, VAT and Other debtors are all incorporated under Sundry debtors whilst Property Rates are incorporated under Consumer Debtors.

Non- Current Assets:

The current portion of Long- term and Finance Leases receivables are not included in Current Assets but Long term and finance lease receivables are net of the long term and finance lease receivable portion. Heritage assets is incorporated in Other Non- Current Assets.

Current Liabilities:

Unspent conditional grants and receipts and Operating lease liabilities are included in Payables from exchange transactions. The current portion of Vat payable and the current portion of Employee benefit liabilities are incorporated in provisions.

Non- Current Liabilities:

Current portion of Finance Lease liabilities are included in Finance Lease Liabilities. Employee benefits are incorporated in provisions. Finance lease liabilities are included in Long term borrowings. Statutory Funds are included in Reserves.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

Description	Original Budget	Budget Adjustments	Final Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
<u>FINANCIAL PERFORMANCE</u>										
<u>REVENUE</u>										
Property rates	78 938 661	-	78 938 661	-	78 938 661	79 973 021	-	1 034 360	101	101
Government grants and subsidies: Operating	10 933 892	32 484 377	43 418 269	-	43 418 269	42 075 284	-	(1 342 985)	97	385
Unconditional Government grants	51 772 000	-	51 772 000	-	51 772 000	51 772 000	-	-	100	100
Fines	25 735 313	-	25 735 313	-	25 735 313	17 351 387	-	(8 383 926)	67	67
Licences and permits	3 273 247	-	3 273 247	-	3 273 247	3 768 207	-	494 960	115	115
Income for agency services	2 799 123	-	2 799 123	-	2 799 123	3 558 400	-	759 277	127	127
Service charges	293 191 058	-	293 191 058	-	293 191 058	305 357 952	-	12 166 894	104	104
Rental of facilities and equipment	3 349 200	-	3 349 200	-	3 349 200	3 646 065	-	296 865	109	109
Interest earned - external investments	8 300 150	9 500 000	17 800 150	-	17 800 150	20 215 070	-	2 414 920	114	244
Interest earned - outstanding debtors	1 375 932	-	1 375 932	-	1 375 932	1 748 686	-	372 754	127	127
Gains on Disposal of Property, Plant and Equipment	200 000	-	200 000	-	200 000	419 152	-	219 152	210	210
Donated Property, Plant and Equipment	-	-	-	-	-	22 580	-	22 580	-100	-100
Other revenue	15 887 555	-	15 887 555	-	15 887 555	25 932 615	-	10 045 060	163	163
Total Revenue (excluding capital transfers)	495 756 131	41 984 377	537 740 508	-	537 740 508	555 840 419	-	18 099 911	103	112

SWARTLAND MUNICIPALITY**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016**

Description	Original Budget	Budget Adjustments	Final Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
<u>FINANCIAL PERFORMANCE</u>										
<u>EXPENDITURE</u>										
Employee related costs	156 706 374	2 665 372	159 371 746	-	159 371 746	156 127 394	-	(3 244 352)	98	100
Remuneration of Councillors	9 530 090		9 530 090	-	9 530 090	8 643 929	-	(886 161)	91	91
Debt impairment	34 380 653	(3 367 460)	31 013 193	-	31 013 193	10 488 115	-	(20 525 078)	34	31
Depreciation and Amortisation	78 875 759	-	78 875 759	-	78 875 759	73 760 858	-	(5 114 901)	94	94
Interest paid	20 199 286	(5 698 684)	14 500 602	-	14 500 602	14 483 511	-	(17 091)	100	72
Bulk purchases	187 316 291	2 067 450	189 383 741	(100 000)	189 283 741	187 832 391	-	(1 451 350)	99	100
Contracted services	3 660 342	-	3 660 342	160 000	3 820 342	3 661 461	-	(158 881)	96	100
Grants and subsidies paid	2 136 780	-	2 136 780	-	2 136 780	2 033 134	-	(103 646)	95	95
General expenses	70 157 909	39 445 245	109 603 154	(60 000)	109 543 154	94 155 977	-	(15 387 177)	86	134
Loss on disposal of property, plant and equipment	2 144 154	-	2 144 154	-	2 144 154	4 271 106	-	2 126 952	199	199
Total Expenditure	565 107 638	35 111 923	600 219 561	-	600 219 561	555 457 876	-	(44 761 685)	93	98
Surplus/(Deficit)	(69 351 507)	6 872 454	(62 479 053)	-	(62 479 053)	382 543	-	62 861 596	-1	-1
Transfers recognised - capital	51 984 108	6 973 955	58 958 063	-	58 958 063	54 545 959	-	(4 412 104)	93	105
Public Contributions and donations	1 500 000	-	1 500 000	-	1 500 000	1 500 000	-	-	100	100
Other Contributions and donations	980 400	-	980 400	-	980 400	980 440	-	40	100	100
Surplus/(Deficit) after capital transfers	(14 886 999)	13 846 409	(1 040 590)	-	(1 040 590)	57 408 942	-	58 449 532	-5517	-386

BUDGET COMPARISONS:**FINANCIAL PERFORMANCE****REVENUE:**

Government grants and receipts: Operating and Unconditional government grants form part of Transfers recognised operational. Public contributions and government grants capital are included in Transfers recognised - capital and contributions recognised capital. Sale of land are included in other revenue.

EXPENDITURE

Asset Impairment is included in depreciation and amortisation. Repairs and maintenance is included in general expenses.

SWARTLAND MUNICIPALITY**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016**

Description	Original Budget	Budget Adjustments	Final Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
<u>FINANCIAL PERFORMANCE BY VOTE</u>										
<u>OPERATING REVENUE BY VOTE</u>										
Civil Services	154 920 579	1 210 310	156 130 889	-	156 130 889	167 793 362	-	11 662 473	107	108
Corporate Services	9 716 375	58 000	9 774 375	-	9 774 375	9 503 916	-	(270 459)	97	98
Council Revenue	125 200	-	125 200	-	125 200	358 498	-	233 298	286	286
Electricity Services	222 826 599	5 029 229	227 855 828	-	227 855 828	236 095 258	-	8 239 430	104	106
Financial Services	107 567 665	9 745 969	117 313 634	-	117 313 634	121 326 021	-	4 012 387	103	113
Development Services	22 758 856	32 933 714	55 692 570	-	55 692 570	52 710 831	-	(2 981 739)	95	232
Municipal Manager	430 000	-	430 000	-	430 000	279 875	-	(150 125)	65	65
Protection Services	31 875 365	(18 890)	31 856 475	-	31 856 475	24 799 057	-	(7 057 418)	78	78
	550 220 639	48 958 332	599 178 971	-	599 178 971	612 866 818	-	13 687 847	102	111
<u>OPERATING EXPENDITURE BY VOTE</u>										
Civil Services	208 463 231	11 667 417	220 130 648	2 351 514	222 482 162	204 912 949	-	(17 569 213)	92	98
Corporate Services	23 137 652	359 938	23 497 590	(9 700)	23 487 890	22 058 083	-	(1 429 807)	94	95
Council Expenditure	14 644 953	30 500	14 675 453	712	14 676 165	13 651 632	-	(1 024 533)	93	93
Electricity Services	206 576 544	752 880	207 329 424	(652 107)	206 677 317	203 019 122	-	(3 658 195)	98	98
Financial Services	44 976 819	1 037 334	46 014 153	(1 943 477)	44 070 676	32 915 828	-	(11 154 848)	75	73
Development Services	17 111 354	24 081 079	41 192 433	(9 897)	41 182 536	37 384 110	-	(3 798 426)	91	218
Municipal Manager	5 402 802	39 706	5 442 508	(12 800)	5 429 708	4 976 261	-	(453 447)	92	92
Protection Services	44 794 283	(2 856 931)	41 937 352	275 755	42 213 107	36 539 891	-	(5 673 216)	87	82
	565 107 638	35 111 923	600 219 561	-	600 219 561	555 457 876	-	(44 761 685)		
Surplus/(Deficit) after capital transfers	(14 886 999)	13 846 409	(1 040 590)	-	(1 040 590)	57 408 942	-	58 449 532		
<u>CAPITAL EXPENDITURE BY VOTE</u>										
Civil Services	47 104 300	(9 901 214)	37 203 086	(739 550)	36 463 536	35 044 216	-	(1 419 320)	96	74
Corporate Services	10 970 108	(7 250 000)	3 720 108	(2 500)	3 717 608	3 525 054	-	(192 554)	95	32
Council Capital Expenditure	805 000	-	805 000	(200 000)	605 000	540 449	-	(64 551)	89	67
Development Services	25 230 000	9 983 555	35 213 555	939 550	36 153 105	34 302 563	-	(1 850 542)	95	136
Electricity Services	7 542 000	4 158 994	11 700 994	-	11 700 994	11 690 537	-	(10 457)	100	155
Financial Services Capital Expenditure	915 000	214 694	1 129 694	-	1 129 694	919 685	-	(210 009)	81	101
Municipal Manager Capital Expenditure	5 000	-	5 000	2 500	7 500	5 158	-	(2 342)	69	103
Protection Services	314 000	610 000	924 000	-	924 000	914 675	-	(9 325)	99	291
Total capital expenditure by vote	92 885 408	(2 183 971)	90 701 437	-	90 701 437	86 942 337	-	(3 759 100)	96	94

SWARTLAND MUNICIPALITY**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016**

Description	Original Budget	Budget Adjustments	Final Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
CAPITAL EXPENDITURE BY VOTE (continued)										
<u>Funding Sources</u>										
Transfers recognised - capital	51 984 108	6 973 955	58 958 063	-	58 958 063	57 249 532	-	(1 708 531)	97	110
Public contributions & donations	1 500 000	-	1 500 000	-	1 500 000	1 500 000	-	-	100	100
Other Contributions and donations	980 400	-	980 400	-	980 400	958 989	-	(21 411)	98	98
Borrowing	8 500 000	(8 500 000)	-	-	-	-	-	-	0	0
Internally generated funds	29 920 900	(657 926)	29 262 974	-	29 262 974	27 233 816	-	(2 029 158)	93	91
Total sources of capital funds	92 885 408	(2 183 971)	90 701 437	-	90 701 437	86 942 337	-	(3 759 100)	96	94
<u>CASH FLOWS</u>										
CASH FLOW FROM OPERATING ACTIVITIES										
Cash receipts from ratepayers, government and other	518 925 607	12 438 172	531 363 779	-	531 363 779	591 493 891	-	60 130 112	111	114
Cash paid to suppliers and employees	(426 018 043)	(33 944 588)	(459 962 631)	-	(459 962 631)	(452 422 238)	-	7 540 393	98	106
Cash generated from operations	92 907 564	(21 506 416)	71 401 148	-	71 401 148	139 071 653	-	67 670 505	195	150
Interest received	9 607 286	9 500 000	19 107 286	-	19 107 286	20 215 070	-	1 107 784	106	210
Finance costs	(20 199 288)	5 698 684	(14 500 604)	-	(14 500 604)	(14 483 511)	-	17 093	100	72
NET CASH FROM OPERATING ACTIVITIES	82 315 562	(6 307 732)	76 007 830	-	76 007 830	144 803 212	-	68 795 382	191	176
CASH FLOWS FROM INVESTING ACTIVITIES										
Purchase of property, plant and equipment	(92 885 408)	2 183 971	(90 701 437)	-	(90 701 437)	(85 734 201)	-	4 967 236	95	92
Purchase of intangible assets	-	-	-	-	-	(8 136)	-	(8 136)	-100	-100
Purchase of investment properties	-	-	-	-	-	(1 200 000)	-	(1 200 000)	-100	-100
Heritage Assets	-	-	-	-	-	-	-	-	0	0
Proceeds on disposal of property, plant and equipment	1 700 000	(1 500 000)	200 000	-	200 000	419 151	-	219 151	210	25
Decrease in long- term receivables	23 500	(2 390)	21 110	-	21 110	21 110	-	-	100	90
NET CASH FROM INVESTING ACTIVITIES	(91 161 908)	681 581	(90 480 327)	-	(90 480 327)	(86 502 076)	-	3 978 251	96	95
CASH FLOWS FROM FINANCING ACTIVITIES										
Proceeds from borrowings	8 500 000	(8 500 000)	-	-	-	-	-	-	0	0
Repayment of borrowings	(5 747 721)	813 743	(4 933 978)	-	(4 933 978)	(4 712 494)	-	221 484	96	82
Increase (decrease) in consumer deposits	590 872	193 441	784 313	-	784 313	-	-	(784 313)	0	0
NET CASH FROM FINANCING ACTIVITIES	3 343 151	(7 492 816)	(4 149 665)	-	(4 149 665)	(4 712 494)	-	(562 829)	114	-141

SWARTLAND MUNICIPALITY**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016**

Description	Original Budget	Budget Adjustments	Final Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
CASH FLOWS (continued)										
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(5 503 195)	(13 118 967)	(18 622 162)	-	(18 622 162)	53 588 642	-	72 210 804	-288	-974
Cash and cash equivalents at the beginning of the year	188 122 674	57 422 722	245 545 396	-	245 545 396	245 545 396	-	-	100	131
Cash and cash equivalents at the end of the year	182 619 479	44 303 755	226 923 234	-	226 923 234	299 134 038	-	72 210 804	132	164
	5 503 195	13 118 967	18 622 162	-	18 622 162	(53 588 642)	-	(72 210 804)	-288	-974

EXPLANATION OF UNAUTHORISED EXPENDITURE

To the best of knowledge no unauthorised expenditure was incurred during the year under review.

EXPLANATION OF MATERIAL VARIANCES**STATEMENT OF FINANCIAL POSITION****ASSETS****Current assets**

Cash and Cash Equivalents	32	Underspending on operating budget combined with increase in receivables over and above historic trends.
Sundry Debtors	(46)	Significant decrease in traffic fines due to the withdraw, expiring of fines, reducing and cancellation of fines by the court
Current Portion of Long-term Receivables	(14)	Immaterial amount variance
Inventory	29	Increase in stock levels over and above historic trends

Non-current assets

Intangible Assets	(14)	Exchange rate budgeted higher than realised for payment of Microsoft Lisence
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NET ASSETS**Total Net Assets**

Reserves	41	Increase of cash levels resulting in an increase in funds to be set aside in reserves.
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SWARTLAND MUNICIPALITY**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016****EXPLANATION OF MATERIAL VARIANCES (continued)****FINANCIAL PERFORMANCE****REVENUE**

	% above norm	
Fines	-33	Significant decrease in traffic fines due to the withdraw, expiring of fines, reducing and cancellation of fines by the court
Licences and permits	15	Growth in the number of vehicles resulted in the increase in licencing services.
Income for agency services	27	Increase in motor vehicle licences being issued.
Interest earned - external investments	14	Increase in funds available for investment and higher interest rate than expected.
Interest earned - outstanding debtors	27	Outstanding Debtors increased due to the poor economic conditions with a corresponding increase in late payments.
Gains on Disposal of Property, Plant and Equipment	110	Net profit realised on sale of Property Plant and Equipment at the municipal auction was higher than expected.
Donated Property, Plant and Equipment	(100)	Unexpected donation of asset. Immaterial amounts.
Other revenue	63	Income realised more than budgeted due to several line- items realising more income. Refer annexure E (1).

EXPENDITURE

Debt impairment	(66)	Estimation of debt impairment less than anticipated.
General expenses	(14)	Expenditure realised lower than anticipated due to several line- items that have been underspent. Refer to annexure E (1).
Loss on disposal of property, plant and equipment	99	More infrastructure assets disposed due to ageing.

CAPITAL EXPENDITURE BY VOTE

Council Capital Expenditure	(11)	Ward Committees spend less than expected
Financial Services Capital Expenditure	(19)	Less Water Demand Management Meters installed than expected.
Municipal Manager Capital Expenditure	(31)	Not recognised as capital expensed to revenue

CASH FLOWS

Cash receipts from ratepayers, government and other	11	More Income realized than expected
Purchase of investment properties	(100)	Significant Investment Property addition (purchase of erven) not budgeted for.
Purchase of intangible assets	(100)	Significant Intangible asset addition not budgeted for.
Proceeds on disposal of property, plant and equipment	110	Conservative budgeting in order not to inflate the budgeted cash position with items that is only an estimate at time of budget compilation.
Cash and cash equivalents at the end of the year	32	Underspending on operating budget combined with increase in receivables over and above historic trends.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. 1 BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where otherwise indicated.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

1. 1. 1 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements:

1. 1. 1. 1 Revenue Recognition

Accounting Policy 1.11.2 on *Revenue from Exchange Transactions* and Accounting Policy 1.11.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (Revenue from Exchange Transactions) and GRAP 23 (Revenue from Non-exchange Transactions). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered or not. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1. 1. 1. 2 Financial assets and liabilities

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management. Accounting Policy 1.8.1 on Financial Assets and Financial Liabilities Classification describe the factors and criteria considered by the management of the municipality in the classification of Financial Assets and Liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: *Financial Instruments*.

1. 1. 1. 3 Impairment of Financial Assets

Accounting Policy 1.8.3 on Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, management of the municipality considered the detailed criteria of impairment of Financial Assets as set out in GRAP 104 (Financial Instruments) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. Management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

1. 1. 1. 4 Impairment of Trade receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors. The total increase in estimation of the impairment of Receivables from Exchange Transactions and that of Receivables from Non-exchange Transactions are disclosed in Notes 3 and 4 to the Annual Financial Statements.

1. 1. 1. 5 Impairment and useful lives: Write down of Property, Plant and Equipment, Investment property, Intangible assets, Heritage assets and Inventories

As described in Accounting Policies 1.3.3, 1.5.2 and 1.6.2 the municipality depreciates / amortises its property, plant and equipment, intangible assets and investment property over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

SWARTLAND MUNICIPALITY**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****1. 1 BASIS OF PRESENTATION (continued)****1. 1. 1 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)*****1. 1. 1. 5 Impairment and useful lives: Write down of Property, Plant and Equipment, Investment property, Intangible assets, Heritage assets and Inventories (continued)***

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Accounting Policy 1.7 on *Impairment of assets* and Accounting Policy 1.10.2 on *Inventory - Subsequent measurement* describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing and write down of Inventories to Net Realisable Values (NRV). Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Value.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: *Impairment of Cash generating Assets* and GRAP 26: *Impairment of non-Cash generating Assets*. In particular, the calculation of the recoverable service amount for PPE, intangible assets and the NRV for inventories involves significant judgment by management.

Estimated impairments during the year to Property, Plant and Equipment, Intangible Assets, Investment Property, Heritage Assets and Inventory are disclosed in Notes 8, 9, 10, 11 and 5 to the Annual Financial Statements, if applicable.

1. 1. 1. 6 Water inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Note 5 to the Annual Financial Statements.

1. 1. 1. 7 Defined Benefit Plan Liabilities

As described in Accounting Policy 1.14, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 18 and 21 to the Annual Financial Statements.

1. 1. 1. 8 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities as set out in notes 18 and 54. Accounting policies pertaining to contingent assets and liabilities are disclosed under policies 1.13 and 1.25.

1. 1. 2 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1. 1. 3 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

1. 1. 4 OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1. 1. 5 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Accounting Policies have been consistently applied, except where otherwise indicated:

For the years ended 30 June 2015 and 30 June 2016 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

SWARTLAND MUNICIPALITY**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****1. 1 BASIS OF PRESENTATION (continued)****1. 1. 5 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS (continued)**

The municipality changes an accounting policy only in the following instances:

- (a) if it is required by a Standard of GRAP; or
- (b) if it results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

Changes in accounting policies that are effected by management are applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 58 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 58 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

1. 1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards were issued but are not yet effective and have not been early adopted by the municipality. The ASB Directive 5, paragraph 28, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

- GRAP 18 Segment Reporting - issued February 2011
- GRAP 32 Service Concession Arrangement Grantor - issued August 2013
- GRAP 108 Statutory Receivables - issued September 2013
- GRAP 109 Accounting by Principals and Agents - issued July 2015
- IGRAP 17 Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset - issued August 2013

Standards as listed above will only be effective when a date is announced by the Minister of Finance.

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality as, either the information to a large extent is already included in the notes to the annual financial statements, or the Municipality does not participate in such business transactions.

The ASB Directive 5, paragraph 28, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued but is not yet in effect, the municipality may select to apply the principles established in that standard in developing an appropriate Accounting Policy dealing with a particular section or event before applying paragraph 11 of the Standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

The municipality applied the principles established in GRAP 20 that have been issued but are not yet effective, in developing appropriate Accounting Policies, but have not early adopted these Standard.

Management has considered the above-mentioned GRAP Standard issued but not yet effective and anticipates that the adoption of this standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. 2 NET ASSETS

Included in the net assets of the municipality, are the following statutory funds and reserves, apart from the Accumulated Surplus, that are maintained in terms of specific requirements:

1. 2. 1 Statutory Fund: Housing (HDF)

Sections 15(5) and 16 of the Housing Act (Act No107 of 1997), which came into operation on 1 April 1998, required that the municipality maintains a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

The Housing Development Fund was established in terms of the Housing Act. Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to this Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were transferred to this Fund. In terms of the Housing Act all proceeds from housing developments, which include rental income and sales of houses, must be paid into this Fund. Funds available in this Fund can only be utilised to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The HDF is backed by cash, receivables and assets. The cash funds in the HDF are invested in accordance with the Investment Policy of the municipality.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments of the fund is disclosed as interest earned in the Statement of Financial Performance.

1. 2. 2 Reserve: Capital Replacement (CRR)

In order to finance the provision of infrastructure and other property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of delegated powers. The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the Entity.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR.

1. 3 PROPERTY, PLANT AND EQUIPMENT

1. 3. 1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. 3 PROPERTY, PLANT AND EQUIPMENT (continued)

1. 3. 2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, including Infrastructure Assets, are measured at cost, less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

1. 3. 3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are initially based on the following originally estimated useful lives and thereafter on the estimated remaining useful lives as at year-end:

Depreciation only commences when the asset is available for use, unless stated otherwise.

	Years		Years
Infrastructure		Buildings	5 - 50
Roads and Paving	10 - 100		
Stormwater	50	Movable Assets	
Electricity	10 - 50	Specialist Vehicles	5 - 20
Water	10 - 100	Other Vehicles	5 - 10
Sewerage	10 - 100	Office Equipment	3 - 7
Landfill Sites	10 - 50	Furniture and Fittings	7 - 10
		Watercraft	15
Community		Bins and Containers	5
Recreational Facilities	10 - 60	Specialised Plant and Equipment	10 - 15
Security	5	Other items of Plant and Equipment	2 - 5

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

1. 3. 4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

1. 3. 5 Leased assets

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

1. 3. 6 Infrastructure Assets

Infrastructure assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

1. 3. 7 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not included in revenue.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposal are included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. 4 HERITAGE ASSETS

An heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

Heritage Assets are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assess at each reporting date if there is an indication of impairment.

1. 4. 1 Initial Recognition

The cost of an item of heritage assets is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary asset, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

1. 4. 2 Subsequent Measurement

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all heritage assets are measured at cost, less accumulated impairment losses. Heritage assets are not depreciated.

1. 4. 3 Derecognition

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of heritage assets is included in surplus or deficit when the item is derecognised.

Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of assets.

1. 5 INTANGIBLE ASSETS

The municipality changed its Accounting Policy from GRAP 102 to GRAP 31 with no effect on the financial information previously disclosed.

1. 5. 1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as it is incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria is fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

SWARTLAND MUNICIPALITY**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****1. 5 INTANGIBLE ASSETS (continued)****1. 5. 1 Initial Recognition (continued)**

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as Intangible Assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually, in accordance with GRAP 21 or GRAP 26.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost.

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1. 5. 2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

In terms of GRAP 31, Intangible Assets are distinguished between internally generated Intangible Assets and other Intangible Assets. It is further distinguished between indefinite or finite useful lives.

Amortisation is charged on a straight-line basis over the intangible assets' useful lives. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists.

Amortisation only commences when the asset is available for use, unless stated otherwise. The amortisation rates are based on the following estimated useful lives:

Asset class: Intangible assets

- Computer software / software licenses: 3 -5 years

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an Intangible Asset at a later date.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified, except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

1. 5. 3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the proceeds of disposal and the carrying value and is recognised in the Statement of Financial Performance.

1. 6 INVESTMENT PROPERTY**1. 6. 1 Initial Recognition**

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. 6 INVESTMENT PROPERTY (continued)

1. 6. 1 Initial Recognition (continued)

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality);
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties;
- Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- A property owned by the municipality and leased out at a below market rental; and
- Property that is being constructed or developed for future use as investment property.

The rent earned does not have to be at a commercial basis or market related for the property to be classified as investment property.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is leased to another entity under a finance lease;
- Property held to provide goods and services and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc.; and
- Property held for strategic purposes which would be accounted for in accordance with the Standard of GRAP on Property, Plant and Equipment.

1. 6. 2 Subsequent Measurement - Cost Model

Investment property is measured using the cost model. Investment Property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is estimated at 20 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1. 6. 3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

1. 7 IMPAIRMENT OF ASSETS

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

1. 7. 1 Impairment of Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. The best evidence of fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. 7 IMPAIRMENT OF ASSETS (continued)

1. 7. 1 Impairment of Cash generating assets (continued)

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

1. 7. 2 Impairment of Non-Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1. 8 FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as *Financial Assets*, *Financial Liabilities* or *Residual Interests* in accordance with the substance of the contractual agreement. The municipality only recognises a Financial Instrument when it becomes a party to the contractual provisions of the instrument.

Initial Recognition

Financial Assets and Financial Liabilities are recognised on the municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. 8 FINANCIAL INSTRUMENTS (continued)

Fair Value Methods and Assumptions

The fair values of Financial Instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices; and
- If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Effective Interest Rate Method

The Effective Interest Method is a method of calculating the amortised cost of a Financial Asset or a Financial Liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the Financial Instrument or, when appropriate, a shorter period to the net carrying amount of the Financial Asset or Financial Liability.

Amortised Cost

Amortised Cost is the amount at which the Financial Asset or Financial Liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the Effective Interest Rate Method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or collectability.

1. 8. 1 Financial Instruments - Classification

A Financial Asset is any asset that is cash, a contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the Financial Assets and Financial Liabilities of the municipality are classified as follows into the three categories allowed by this standard:

- *Financial assets (or financial liabilities) at amortised cost* are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They are included in current assets or current liabilities, except for maturities greater than 12 months, which are classified as non-current. Financial assets (or financial liabilities) at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instrument. After initial recognition financial assets are measured at amortised cost, using the effective interest rate method less an allowance for impairment.
- *Financial assets (or financial liabilities) at fair value* are financial instruments that meet either of the following conditions:
 - (a) derivatives;
 - (b) combined instruments that are designated at fair value;
 - (c) instruments held for trading;
 - (d) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
 - (e) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.
- *Financial assets (or financial liabilities) at cost* are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

A **financial asset** is any asset that is a cash or contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Investments in Fixed Deposits (when applicable);
- Operating lease assets;
- Receivables from exchange transactions;
- Receivables from non-exchange transactions;
- Short-term Investment Deposits (when applicable); and
- Cash and cash equivalents.

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, cash with banks and call deposits held with banks.

In accordance with GRAP 104 the *Financial Assets* of the municipality are all classified as *financial assets at amortised cost*, except for cash floats and petty cash, which are classified as *financial assets at fair value*.

SWARTLAND MUNICIPALITY**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****1. 8 FINANCIAL INSTRUMENTS (continued)****1. 8. 1 Financial Instruments - Classification (continued)**

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial Liabilities may be measured at:

- Financial Liabilities measured at Fair Value;
- Financial Liabilities measured at Amortised Cost; or
- Financial Liabilities measured at Cost.

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Borrowings;
- Finance lease liabilities;
- Unspent conditional grants and receipts;
- Payables;
- Bank Overdraft (when utilised);
- Current portion of finance lease liabilities;
- Current Portion of Long-term borrowings; and
- Consumer Deposits.

In accordance with GRAP 104 the *Financial Liabilities* of the municipality are all classified as *financial liabilities at amortised cost*, except for Consumer deposits, which are classified as *financial liabilities at fair value*.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

1. 8. 2 Initial and Subsequent Measurement**Financial Assets****Financial Assets measured at Amortised Cost**

Financial Assets at Amortised Cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an Effective Yield Basis.

Trade and Other Receivables (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as Financial Assets at Amortised Cost.

Financial Assets measured at Fair Value

Financial Assets at Fair Value are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

Financial Liabilities**Financial Liabilities measured at Fair Value**

Financial Liabilities at Fair Value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities held at Amortised Cost

Any other Financial Liabilities are classified as Other Financial Liabilities (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the Effective Interest Rate Method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank Borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the Accrual Basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

1. 8. 3 Impairment of Financial Assets

Financial assets, other than those at fair value, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

SWARTLAND MUNICIPALITY**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****1. 8 FINANCIAL INSTRUMENTS (continued)****1. 8. 3 Impairment of Financial Assets (continued)****1. 8. 3.1 Financial Assets at Amortised Cost**

An allowance for impairment of receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Initially receivables from exchange and non-exchange transactions are valued at fair value and subsequently carried at amortised cost using the effective interest rate method, less an allowance for impairment. The allowance is made in accordance with GRAP 104, whereby the recoverability of receivables is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. Government accounts are not provided for as such accounts are regarded as receivable. An estimate is made for impairment of receivables, based on past default experience of all outstanding amounts at year-end. Amounts are written off in the year during which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

If there is objective evidence that an impairment loss has been incurred on an investment in a Residual Interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the Financial Asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

1. 8. 4 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

1. 8. 5 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

1. 9 RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. 10 INVENTORIES

1. 10. 1 Initial Recognition

Inventories comprise current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

1. 10. 2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, can not be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at reporting date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates. Water and purified effluent are therefore valued at purified cost insofar as it is stored and controlled in reservoirs at year-end.

Unsold properties

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis.

Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

Other arrangements

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. 11 REVENUE RECOGNITION

1. 11. 1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue is measured at the fair value of the consideration received or receivable and reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

1. 11. 2 Revenue from Exchange Transactions

1. 11. 2. 1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are normally read on a monthly basis and are recognised as revenue when invoiced. Where meters are not read monthly, provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to all properties.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month or a property is vacant.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

1. 11. 2. 2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale and if payment is made five days before year-end it is recognised based on an estimate of the prepaid electricity consumed as at the reporting date, which is recognised as an unutilised portion.

1. 11. 2. 3 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance when the interest is received.

1. 11. 2. 4 Tariff Charges

Revenue arising from the application of the approved tariff of charges are recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. 11 REVENUE RECOGNITION (continued)

1. 11. 2. 5 Income from Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of the principal has been quantified. The income recognised is in terms of the agency agreement.

1. 11. 2. 6 Sale of Goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

1. 11. 2. 7 Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

1. 11. 3 Revenue from Non-exchange Transactions

An inflow of resources from a non-exchange transaction that meets the definition of an asset, is recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a non-exchange transaction that meets the definition of a liability is recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

1. 11. 3. 1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

1. 11. 3. 2 Fines

Fines consist of spot fines and summonses. Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the entity and the amount of the revenue can be measured reliably. Revenue for fines is recognised when the fine is issued at the full amount of the receivable.

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not be made at the time of initial recognition.

1. 11. 3. 3 Public contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

1. 11. 3. 4 Other Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

1. 11. 3. 5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. 12 GOVERNMENT GRANTS AND RECEIPTS

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transfer or, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transfer or has never been enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are available for use.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the grantor it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1. 13 PROVISIONS

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken;
 - when the plan will be implemented; and
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

1. 14 EMPLOYEE BENEFITS

1. 14. 1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. 14 EMPLOYEE BENEFITS (continued)

1. 14. 1 Short-term Employee Benefits (continued)

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

1. 14. 2 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service) is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

1. 14. 3 Post-retirement benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

1. 14. 3. 1 Defined Contribution plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

1. 14. 3. 2 Defined Benefit plans

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

Post-retirement Health Care Benefits

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the Municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

1. 15 LEASES

1. 15. 1 The Municipality as Lessee

Leases are classified as **finance leases** where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. 15 LEASES (continued)

1. 15. 1 The Municipality as Lessee (continued)

Subsequent to initial recognition, finance leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment, using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The leased asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1. 15. 2 The Municipality as Lessor

Amounts due from lessees under **finance leases** or **instalment sale agreements** are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as revenue and the contractual payments received are recognised as an operating lease asset or liability.

1. 15. 3 Determining whether an Arrangement contains a Lease

At inception of an arrangement, the municipality determines whether such an arrangement is, or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the municipality the right to control the use of the underlying asset.

At inception, or upon reassessment of the arrangement, the municipality separates payments and other considerations required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the municipality's incremental borrowing rate.

1. 16 BORROWING COSTS

All Borrowing Cost are treated as an expense in the period in which it incurred.

1. 17 GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

1. 18 VALUE ADDED TAX

The Municipality is registered with SARS for Value Added Tax on the payments basis, in accordance with Section 15(2)(a) of the VAT Act No 89 of 1991, and accounts for VAT on the cash basis.

1. 19 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted or is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for as an expense in the Statement of Financial Performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

The definition of "vote" for Swartland Municipality is set at the Functional area within the respective department.

Where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. 20 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the year that the expenditure was incurred and is classified in accordance with the nature of the expense. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

Where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1. 21 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance in the year that the expenditure was incurred and is classified in accordance with the nature of the expense. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

Where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1. 22 RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager. Members in the service of the state are also considered to be related parties.

1. 23 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in Accounting Policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Changes in Accounting Policies are disclosed in the Notes to the Annual Financial Statements where applicable.

Changes in Accounting Estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Notes to the Annual Financial Statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Correction of Errors are disclosed in the Notes to the Annual Financial Statements where applicable.

1. 24 EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events are accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date are disclosed in the notes to the Annual Financial Statements.

1. 25 CONTINGENT ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the Annual Financial Statements.

Contingent Liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not fully within the control of the municipality. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent Assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not fully within the control of the municipality.

Commitments are future expenditure to which the municipality has committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

SWARTLAND MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. 25 CONTINGENT ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP;
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has not yet been awarded or is awaiting finalisation at the reporting date;
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources;
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure Notes to the Annual Financial Statements; and
- Other commitments for contracts that are non-cancellable or only cancellable at significant cost, should relate to something other than the business of the municipality.

1. 26 TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

1. 27 TRANSFER OF FUNCTIONS BETWEEN ENTITIES UNDER COMMON CONTROL

Certain functions might be transferred between entities within the same sphere of government or between entities that are part of the same economic entity.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential.

Initial Recognition

The assets and liabilities that qualify for recognition by the acquirer or derecognition by the transferor in a transfer of functions between entities under common control are the result of separate transactions to be accounted for in accordance with their nature and the applicable Standard of GRAP.

If a transfer of functions in effect settles a pre-existing relationship, the acquirer recognises a gain or loss, which is measured as follows:

- (a) for a pre-existing non-contractual relationship, fair value; and
- (b) for a pre-existing contractual relationship, the lesser of (i) and (ii):
 - (i) the amount by which the binding arrangement is favourable or unfavourable from the perspective of the acquirer when compared to the terms of current market transactions for the same or similar items.
 - (ii) the amount of any stated settlement provisions in the binding arrangement available to the counterparty to whom the contract is unfavourable.

If (ii) is less than (i), the difference is included as part of a transfer of functions accounting. The amount of gain or loss recognised may depend in part on whether the acquirer had previously recognised a related asset or liability, and the reported gain or loss therefore may differ from the amount calculated by applying the above requirements.

If the initial accounting for a merger is incomplete by the end of the reporting period in which the merger occurs, a provisional amount is recorded in the financial statements for the items for which the accounting is incomplete. During the measurement period, the provisional amounts recognised are adjusted retrospectively at the merger date to reflect new information obtained about facts and circumstances that existed as of the merger date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the combined entity receives the information it was seeking about facts and circumstances that existed as of the merger date or learns that more information is not obtainable. The measurement period shall not exceed two years from the merger date.

Subsequent Measurement

At the transfer date, the assets acquired and liabilities assumed shall be classified or designated as necessary in order to apply other Standards of GRAP subsequently. Those classifications or designations are made on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions that exist at the transfer date.

As of the transfer date, all the assets transferred and liabilities relinquished in a transfer of functions shall be derecognised from the financial statements, at their carrying amounts.

1. 28 TRANSFER OF FUNCTIONS BETWEEN ENTITIES NOT UNDER COMMON CONTROL

Certain functions might be transferred between entities not under common control.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential.

Initial Recognition

Each transfer of functions between entities not under common control is accounted for by applying the acquisition method.

SWARTLAND MUNICIPALITY**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****1. 28 TRANSFER OF FUNCTIONS BETWEEN ENTITIES NOT UNDER COMMON CONTROL (continued)**

The acquisition method implies recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquire, and recognising the difference between the assets and liabilities and the consideration transferred to the seller.

The identifiable assets acquired and the liabilities assumed are initially recognised at their acquisition-date fair values.

For each transfer of functions, the acquisition date components of non-controlling interests in the acquire that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation is measured at fair value.

All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by the Standards of GRAP.

Any difference between the assets acquired and liabilities assumed and the consideration transferred (if any) as of the acquisition date is recognised in surplus or deficit.

If the initial accounting for a merger is incomplete by the end of the reporting period in which the merger occurs, a provisional amount is recorded in the financial statements for the items for which the accounting is incomplete. During the measurement period, the provisional amounts recognised are adjusted retrospectively at the merger date to reflect new information obtained about facts and circumstances that existed as of the merger date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the combined entity receives the information it was seeking about facts and circumstances that existed as of the merger date or learns that more information is not obtainable. The measurement period shall not exceed two years from the merger date.

If a transfer of functions in effect settles a pre-existing relationship, the acquirer recognises a gain or loss, measured as follows:

(a) for a pre-existing non-contractual relationship, fair value; and

(b) for a pre-existing contractual relationship, the lesser of (i) and (ii):

(i) the amount by which the binding arrangement is favourable or unfavourable from the perspective of the acquirer when compared with terms for current market transactions for the same or similar items.

(ii) the amount of any stated settlement provisions in the binding arrangement available to the counterparty to whom the contract is unfavourable.

If (ii) is less than (i), the difference is included as part of a transfer of functions accounting. The amount of gain or loss recognised may depend in part on whether the acquirer had previously recognised a related asset or liability, and the reported gain or loss therefore may differ from the amount calculated by applying the above requirements.

Subsequent Measurement

At the transfer date, the assets acquired and liabilities assumed shall be classified or designated as necessary in order to apply other Standards of GRAP subsequently. Those classifications or designations are made on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions that exist at the transfer date.

As of the transfer date, all the assets transferred and liabilities relinquished in a transfer of functions shall be derecognised from the financial statements, at their carrying amounts.

1. 29 MERGERS

A merger is the establishment of a new combined entity in which none of the former entities obtain control over each other and no acquirer can be identified.

The assets and liabilities that qualify for recognition by the combined entity or transfer and derecognition by the combining entities in a merger are normally governed by the terms and conditions of the binding arrangement. Such assets and liabilities must be part of what had been agreed in terms of the binding arrangement, rather than the result of separate transactions.

Initial Recognition

As of the merger date, all the assets acquired and liabilities assumed are recognised and measured at their carrying amounts.

The difference between the carrying amounts of the assets acquired and the liabilities assumed and any adjustments required to the basis of accounting, shall be recognised in accumulated surplus or deficit.

If the initial accounting for a merger is incomplete by the end of the reporting period in which the merger occurs, a provisional amount is recorded in the financial statements for the items for which the accounting is incomplete. During the measurement period, the provisional amounts recognised are adjusted retrospectively at the merger date to reflect new information obtained about facts and circumstances that existed as of the merger date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the combined entity receives the information it was seeking about facts and circumstances that existed as of the merger date or learns that more information is not obtainable. The measurement period shall not exceed two years from the merger date.

SWARTLAND MUNICIPALITY**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****1. 29 MERGERS (continued)****Subsequent Measurement**

Any assets acquired and any liabilities assumed in a merger are subsequently measured in accordance with the applicable Standards of GRAP.

At the transfer date, the assets acquired and liabilities assumed shall be classified or designated as necessary in order to apply other Standards of GRAP subsequently. Those classifications or designations are made on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions that exist at the transfer date.

1. 30 COMPARATIVE INFORMATION**1. 30. 1 Prior year comparatives:**

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

1. 30. 2 Current year comparatives:

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the Annual Financial Statements.

1. 30. 3 Budget Information:

The annual budget figures have been prepared in accordance with GRAP 24 and are consistent with the Accounting Policies adopted by Council for the preparation of these Annual Financial Statements.

Budgeted amounts are scheduled as additional budget columns in the financial statements and explanatory comments are provided in the STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS to the annual financial statements, giving motivations for overspending on line items.

The annual budget figures included in the financial statements are for Swartland Municipality and do not include budget information relating to any other entities. These figures are those approved by Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2015 to 30 June 2016.

Explanatory comments are provided for overall growth or decline in the budget and motivations for over or under spending on line items. The municipality considers variations of 10% or more as material for purposes of providing explanatory comments.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
2. CASH AND CASH EQUIVALENTS		
Bank balances and cash	299 118 808	245 530 166
Petty Cash Advances	15 230	15 230
	-	-
Total cash and cash equivalents	299 134 038	245 545 396
The Municipality has the following bank accounts:		
<u>Current Account (Primary Bank Account) (OTM account)</u>		
ABSA Bank Limited - Public Sector: Account Number 40 5369 2381		
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	-
<u>Current Account</u>		
ABSA Bank Limited - Public Sector: Account Number 40 5369 1741		
Cash book balance at beginning of year	123 430 166	222 979 731
Cash book balance at end of year	299 118 808	123 430 166
Bank statement balance at beginning of year	115 606 194	217 885 641
Bank statement balance at end of year	296 471 989	115 606 194
<u>Current Account (ACB account)</u>		
ABSA Bank Limited - Public Sector: Account Number 40 5369 2399		
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	-
<u>Current Account (Cash account)</u>		
ABSA Bank Limited - Public Sector: Account Number 40 5369 2466		
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	-
<u>Current Account (Syntell)</u>		
ABSA Bank Limited - Public Sector: Account Number 40 8119 7650		
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	-
<u>Call account</u>		
ABSA Bank Limited - Public Sector: Account Number 40 7431 0875		
Cash balance at beginning of year	188 227	17 000 000
Cash balance at end of year	-	188 227
Bank statement balance at beginning of year	-	17 000 000
Bank statement balance at end of year	-	112 371
<u>Call account</u>		
ABSA Bank Limited - Public Sector: Account Number 92 9837 5707		
Cash balance at beginning of year	21 911 773	-
Cash balance at end of year	-	21 911 773
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	23 739 352

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
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2. CASH AND CASH EQUIVALENTS (continued)**Short- Term Portion of Investments**

Standard Bank Account Number 28 8494 342 004

Cash balance at beginning of year	<u>100 000 000</u>	<u>100 000 000</u>
Cash balance at end of year	<u>-</u>	<u>100 000 000</u>
Bank statement balance at beginning of year	<u>-</u>	<u>100 000 000</u>
Bank statement balance at end of year	<u>-</u>	<u>102 854 521</u>

Summary

Cash balance at beginning of year	<u>245 530 166</u>	<u>222 979 731</u>
Cash balance at end of year	<u>299 118 808</u>	<u>245 530 166</u>
Bank statement balance at beginning of year	<u>115 606 194</u>	<u>217 885 641</u>
Bank statement balance at end of year	<u>296 471 989</u>	<u>242 312 438</u>

For the purposes of the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments.

Call investment deposits are investments with a maturity period of less than 3 months which earn interest at a rate varying from 6.80 % per annum.

Interest on overdrawn current accounts is charged at prime less 0.5 % per annum when utilised and earn interest at different rates per annum on favourable balances. Overdraft facility of R 1 000 000 is available on account number 40 5369 1741.

No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period.

Deposits of R 140 706 563 (2015: R 100 000 000) are attributable to the capital replacement reserve. (Refer to Note 23).

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings. The management of the municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

As at 30 June 2016

	Gross Balances R	Collective Allowance for Impairment R	Net Balances R
Service Receivables	49 441 312	3 294 170	46 147 142
Electricity	32 250 613	1 151 833	31 098 780
Water	8 539 119	928 985	7 610 134
Sewerage	4 634 984	571 918	4 063 066
Refuse Removal	4 016 596	641 434	3 375 162
Other receivables			
Housing rentals / instalments	55 075	4 494	50 581
Other	1 974 258	232 009	1 742 249
Total: Receivables From Exchange Transactions	<u>51 470 645</u>	<u>3 530 673</u>	<u>47 939 972</u>

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)**

As at 30 June 2015
Restated

	Gross Balances	Collective Allowance for Impairment	Net Balances
	R	R	R
Service Receivables	45 412 741	3 568 456	41 844 285
Electricity	29 101 345	1 404 536	27 696 809
Water	8 048 317	937 311	7 111 006
Sewerage	4 462 492	601 893	3 860 599
Refuse Removal	3 800 587	624 716	3 175 871
Other receivables			
Housing rentals / instalments	48 233	4 240	43 993
Other	2 581 254	240 618	2 340 636
Total: Trade Receivables From Exchange Transactions	48 042 228	3 813 314	44 228 914

Receivables from Exchange Transactions are billed monthly, at the end of the month.

The average credit period for receivables from exchange transactions is 30 days. No interest is charged on receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at prime plus 1 % per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of receivables from exchange transactions.

Other Receivables include outstanding debtors for various other services, e.g. Chemical Oxygen Demand, Treated Waste Water, Bulk Dumping and Sundry Services like Escorting of heavy vehicles, Advertisement costs, Cleaning of stands, etc.

Of the Receivables balance at the end of the year, R 2 269 553 (2015: 1 797 992 Sasko (Pty) Ltd) is due from Sasko (Pty) Ltd, the municipality's largest customer.

There are no other receivables that represent more than 5% of the total balance of Receivables.

The municipality receives applications for services that it provide. Deposits are required for all electricity and water accounts opened.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their amortised values.

No receivables from exchange transactions were pledged as security.

Credit quality of receivables from exchange transactions

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed to historical information about counterparty default rates. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's receivables

Comparatives have been restated due to the correction of an error (refer to note 58. (a) i), (a)ii, (a)iii and (a)vi.

	2016 R	2015 R
3. 1 Ageing of Service Debtors		
<u>Electricity: Ageing</u>		Restated
Current (0 - 30 days)	29 172 156	26 239 623
<u>Past Due</u>		
31 - 60 Days	1 926 526	1 943 740
61 - 90 Days	181 313	74 023
91 - 120 Days	101 512	28 995
121 - 150 Days	91 846	23 066
151 - 180 Days	14 672	22 037
181 - 365 Days	11 721	17 899
366 Days - 2 Years	253 360	76 546
2 - 3 Years	72 466	21 926
+ 3 Years	425 041	653 490
	32 250 613	29 101 345
Less: Allowance for impairment	(1 151 833)	(1 404 536)
	31 098 780	27 696 809

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)		
3. 1 Ageing of Service Debtors (continued)		
<u>Water: Ageing</u>		Restated
Current (0 - 30 days)	5 211 613	4 871 093
<u>Past Due</u>		
31 - 60 Days	830 231	943 943
61 - 90 Days	250 838	273 934
91 - 120 Days	187 035	222 852
121 - 150 Days	217 810	202 909
151 - 180 Days	178 870	203 004
181 - 365 Days	175 679	137 131
366 Days - 2 Years	645 893	351 139
2 - 3 Years	265 690	164 344
+ 3 Years	575 460	677 968
Total	8 539 119	8 048 317
Less: Allowance for impairment	(928 985)	(937 311)
	7 610 134	7 111 006
<u>Sewerage: Ageing</u>		Restated
Current (0 - 30 days)	2 255 423	2 063 276
<u>Past Due</u>		
31 - 60 Days	638 337	575 637
61 - 90 Days	140 428	155 411
91 - 120 Days	98 466	115 558
121 - 150 Days	77 359	108 322
151 - 180 Days	66 599	97 335
181 - 365 Days	92 823	86 103
366 Days - 2 Years	55 908	84 510
2 - 3 Years	140 932	57 454
+ 3 Years	1 068 709	1 118 886
Total	4 634 984	4 462 492
Less: Allowance for impairment	(571 918)	(601 893)
	4 063 066	3 860 599
<u>Refuse Removal: Ageing</u>		Restated
Current (0 - 30 days)	1 730 195	1 593 719
<u>Past Due</u>		
31 - 60 Days	499 449	460 542
61 - 90 Days	128 007	121 623
91 - 120 Days	93 811	98 797
121 - 150 Days	76 304	91 204
151 - 180 Days	63 269	79 027
181 - 365 Days	78 270	92 513
366 Days - 2 Years	431 988	323 385
2 - 3 Years	236 618	104 970
+ 3 Years	678 685	834 807
Total	4 016 596	3 800 587
Less: Allowance for impairment	(641 434)	(624 716)
	3 375 162	3 175 871

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R		
3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)				
3. 1 Ageing of Service Debtors (continued)				
<u>Housing rentals / instalments: Ageing</u>				
Current (0 - 30 days)	28 916	28 758		
<u>Past Due</u>				
31 - 60 Days	18 673	15 896		
61 - 90 Days	618	836		
91 - 120 Days	600	371		
121 - 150 Days	595	302		
151 - 180 Days	591	372		
181 - 365 Days	399	322		
366 Days - 2 Years	3 196	50		
2 - 3 Years	161	77		
+ 3 Years	1 326	1 249		
Total	55 075	48 233		
Less: Allowance for impairment	(4 494)	(4 240)		
	50 581	43 993		
<u>Other Debtors: Ageing</u>				
Current (0 - 30 days)	995 908	1 048 616		
<u>Past Due</u>				
31 - 60 Days	143 109	115 697		
61 - 90 Days	60 097	74 961		
91 - 120 Days	26 738	74 807		
121 - 150 Days	34 559	45 407		
151 - 180 Days	25 466	16 260		
181 - 365 Days	24 062	61 720		
366 Days - 2 Years	361 080	742 972		
2 - 3 Years	115 912	122 832		
+ 3 Years	187 327	277 982		
Total	1 974 258	2 581 254		
Less: Allowance for impairment	(232 009)	(240 618)		
	1 742 249	2 340 636		
3. 2 Summary of Debtors by Customer Classification				
	<u>Consumers</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>	<u>Total</u>
	R	R	R	R
30 th June 2016				
Current (0 - 30 days)	26 040 393	12 303 650	1 050 168	39 394 211
<u>Past Due</u>				
31 - 60 Days	3 099 331	945 041	11 953	4 056 325
61 - 90 Days	581 009	175 728	4 564	761 301
91 - 120 Days	405 052	101 505	1 605	508 162
121 - 150 Days	392 586	94 838	11 049	498 473
151 - 180 Days	334 122	13 426	1 919	349 467
181 - 365 Days	369 339	12 592	1 023	382 954
366 Days - 2 Years	1 546 458	200 435	4 532	1 751 425
2 - 3 Years	805 982	24 891	906	831 779
+ 3 Years	2 747 460	168 139	20 949	2 936 548
Sub-total	36 321 732	14 040 245	1 108 668	51 470 645
Less: Collective Allowance for Impairment	(2 404 482)	(1 126 191)	-	(3 530 673)
Total debtors by customer classification	33 917 250	12 914 054	1 108 668	47 939 972

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)****3. 2 Summary of Debtors by Customer Classification (continued)**

	<u>Consumers</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>	<u>Total</u>
30 th June 2015	R	R	R	R
Restated				
Current (0 - 30 days)	23 771 043	11 327 469	746 573	35 845 085
<u>Past Due</u>				
31 - 60 Days	2 342 536	1 646 001	66 918	4 055 455
61 - 90 Days	638 089	53 892	8 807	700 788
91 - 120 Days	507 699	31 190	2 491	541 380
121 - 150 Days	424 658	41 708	4 844	471 210
151 - 180 Days	402 442	14 822	771	418 035
181 - 365 Days	388 108	6 638	942	395 688
366 Days - 2 Years	1 490 109	81 111	7 382	1 578 602
2 - 3 Years	464 710	6 545	348	471 603
+ 3 Years	3 395 008	146 723	22 651	3 564 382
Sub-total	33 824 402	13 356 099	861 727	48 042 228
Less: Collective Allowance for Impairment	(2 639 595)	(1 173 719)	-	(3 813 314)
Total debtors by customer classification	31 184 807	12 182 380	861 727	44 228 914

Comparatives have been restated due to the correction of an error (refer to note 58. (a) i), (a)ii, (a)iii and (a)vi.

At 30 June 2016 debtors of R 8 545 761 (2015: R 8 383 829) were past due but not impaired. The age analysis of these debtors are as follows:

	2016	2015
	R	R
		Restated
31 - 60 Days	4 056 326	4 750 858
61 - 90 Days	761 301	700 788
91 - 120 Days	508 162	541 379
121 - 150 Days	498 472	471 210
151 - 180 Days	349 466	418 036
181 - 365 Days	382 955	395 688
+ 1 Year	1 989 079	1 105 870
Total	8 545 761	8 383 829

3. 3 Reconciliation of changes in Allowance Account

Balance at beginning of the year	3 813 314	4 575 654
Contribution to Allowance	1 702 640	3 988 073
<i>Bad debts written off against allowance:</i>		
Electricity	(183 135)	(124 618)
Refuse Removal	(295 612)	(1 493 970)
Sewerage	(367 848)	(1 837 716)
Water	(915 802)	(765 013)
Housing	(184)	(34 838)
Other Debtors	(222 700)	(494 258)
Balance at end of year	3 530 673	3 813 314

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable.

Recognition of financial assets

No Financial Assets have been transferred to other parties during the year.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016	2015
	R	R
4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		Restated
Property Rates	10 340 747	9 158 138
Payments made in advance	1 390 851	1 332 363
Insurance claims	112 091	16 109
Traffic Fines	24 555 143	30 766 218
Government grants and subsidies (Past due and not impaired)	-	8 222 358
Sundry debtors	483 387	1 167 195
Gross Balances	36 882 219	50 662 381
<i>Less: Collective Allowance for Impairment</i>		
Rates	(1 258 157)	(1 043 026)
Traffic Fines	(9 189 619)	(18 907 098)
Other	(90 803)	(91 148)
Net Balances	26 343 640	30 621 109
Sundry Debtors include sundry deposits, unclaimed wages, accruals cash deposits made to Eskom for the supply of electricity, debits outstanding at year-end on normal business transactions entered into by the municipality, in respect of uncleared bank reconciliation items,		
Comparatives have been restated due to the correction of an error (refer to note 58. (a) i) and (a) v).		
		Restated
<u>Rates: Ageing</u>		
Current (0 - 30 days)	5 403 108	4 803 757
<u>Past Due</u>		
31 - 60 Days	988 382	890 823
61 - 90 Days	199 163	137 665
91 - 120 Days	82 318	92 835
121 - 150 Days	56 012	77 208
151 - 180 Days	36 425	44 808
181 - 365 Days	73 275	49 429
366 Days - 2 Years	394 409	103 722
2 - 3 Years	398 859	27 504
+ 3 Years	2 708 796	2 930 387
Total	10 340 747	9 158 138
Less: Allowance for impairment	(1 258 157)	(1 043 026)
	9 082 590	8 115 112
		Restated
<u>Other Debtors: Ageing</u>		
Current (0 - 30 days)	2 881 445	12 064 429
<u>Past Due</u>		
31 - 60 Days	1 431 884	2 076 396
61 - 90 Days	1 294 300	2 052 300
91 - 120 Days	1 226 950	1 315 200
121 - 150 Days	787 650	1 649 050
151 - 180 Days	841 000	1 602 875
181 - 365 Days	6 115 225	10 023 450
366 Days - 2 Years	8 889 125	10 720 543
2 - 3 Years	3 073 893	-
+ 3 Years	-	-
Total	26 541 472	41 504 243
Less: Allowance for impairment	(9 280 422)	(18 998 246)
Total	17 261 050	22 505 997
Comparatives have been restated due to the correction of an error (refer to note 58. (a) i) and (a) v).		

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)		Restated
At 30 June 2016 debtors of R 18 059 087 (2015: R 13 752 923) were past due but not impaired. The age analysis of these debtors are as follows:		
31 - 60 Days	2 420 266	2 967 219
61 - 90 Days	1 493 463	2 189 965
91 - 120 Days	1 309 268	1 408 035
121 - 150 Days	843 661	1 726 258
151 - 180 Days	877 425	1 647 683
181 - 365 Days	6 188 500	3 813 763
+ 1 Year	4 926 504	-
Total	18 059 087	13 752 923

Reconciliation of changes in Allowance Account

Balance at beginning of the year	20 041 272	17 381 599
<i>Contributions to Allowance</i>		
Rates	423 699	251 507
Traffic Fines	8 360 121	11 789 389
Other	1 655	-
<i>Bad debts written off against Allowance</i>		
Rates	(208 568)	(443 501)
Traffic Fines	(18 077 600)	(8 885 009)
Other	(2 000)	(28 451)
Reversal of Allowance	-	(24 262)
Balance at end of year	10 538 579	20 041 272

The credit quality of receivables from non- exchange transactions that are neither past nor due nor impaired can be assessed to historical information about counterparty default rates. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's receivables.

The allowance for impairment was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios.

The claims instituted against the municipality's insurance company are supported by valid insurance claims that are claimable in terms of the insurance contract entered into by the municipality. The average waiting period depends on the nature of the claim. No interest is charged on outstanding insurance claims.

The average credit period for government grants and subsidies is dependant on the Government Department involved and the nature of claim. No interest is charged on outstanding government grants and subsidies. The subsidies are payable to the municipality per allocations made in the Division of Revenue Act or based on agreements between the municipality and the relevant departments. Government Grants and Subsidies receivable are past due and not impaired as management have no concerns over the credit quality of these assets.

The average credit period for receivables from non- exchange transactions is 30 days. No interest is charged on receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at prime plus one per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of receivables from none- exchange transactions. No receivables from non- exchange transactions were pledged as security.

The Allowance for impairment on Other Debtors (loans and receivables) exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were grouped together in the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Credit quality of receivables from non- exchange transactions

The credit quality of receivables from non- exchange transactions that are neither past nor due nor impaired can be assessed to historical information about counterparty default rates. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

Allowance account for collective Impairment of Financial Assets

The total amount of the allowance for impairment created is R 14 069 252 (2015: R 23 854 586) and the following loans and receivables are included therein:

Consumer Debtors	3 530 673	3 813 314
Sundry Debtors	10 538 579	20 041 272
Total Allowance for Doubtful Debts on Debtors	14 069 252	23 854 586

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016	2015
	R	R
5. INVENTORY		
Consumable stores - at cost	7 674 672	6 555 255
Franking Machine and Postage	37 104	15 045
Go Green Prizes: Cellphones	1 665	11 214
Plastic Bags	14 235	-
Stationery - at cost	224 502	156 518
SMS Bundles	2 599	4 209
Water - at cost	176 228	161 723
Unsold properties held for resale - at cost	1 383 291	1 728 303
Total Inventory	9 514 296	8 632 267

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.

The cost of water purchases for the year amounted to R 4.65 per kilolitre (2015: R 4.30 per kilolitre).

No Inventories have been pledged as collateral for Liabilities of the municipality.

The cost of inventories (excluding land inventories) recognised as expense and included in "General Expenses" amounted to R 3 556 613 (2015: R3 270 266). The cost of land inventories expensed has been separately disclosed on the Statement of Financial Performance.

Inventory to the amount of R 0 (2015: R 0) was written-down and included in "General Expenses".

6. VAT

VAT receivable	2 449 167	1 271 009
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VAT is accounted for on the payment basis. Only when payment has been received from debtors VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

7. OPERATING LEASES**The Municipality as lessee****Leasing arrangements:**

Operating leases relate to Buildings, Computer and other equipment with lease terms of between one to five years. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

At the reporting date the municipality had outstanding commitments under non-cancellable operating leases, which fall due as follows:

Buildings	2 399 382	3 311 776
Up to 1 year	903 670	912 394
1 to 5 years	1 495 712	2 399 382
More than 5 years	-	-
Computer and other equipment	323 793	492 466
Up to 1 year	204 501	190 632
1 to 5 years	119 292	301 834
More than 5 years	-	-
Total Operating Lease Commitments	2 723 175	3 804 242

The following payments have been recognised as an **expense** in the Statement of Financial Performance

	1 116 896	1 085 871
Total Operating Lease Expenses - as Lessee	1 116 896	1 085 871

Operating leases are recognized on the straight-line basis over the lease term. In respect of non-cancellable Operating Leases the following **asset/(liability)** has been recognised:

Accrual as at 30 June

Opening balance	(119 911)	(33 658)
Operating lease payments effected	1 068 478	999 618
Operating expenses recorded	(1 116 896)	(1 085 871)
Total Operating Lease Assets/(Liabilities)	(168 329)	(119 911)

The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:

- Office Equipment

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
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7. OPERATING LEASES (continued)

No restrictions have been imposed on the Municipality in terms of the operating lease agreements.

The Municipality as Lessor:***Leasing arrangements:***

Operating Leases relate to Investment Property owned by the municipality with lease terms of between 5 to 50 years. The lessee does not have an option to purchase the property at the expiry of the lease period.

At the reporting date the following lease receipts were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are

Up to 1 year	343 848	912 394
1 to 5 years	380 809	2 399 382
More than 5 years	5 862	-
	730 519	3 311 776

This impact of charging the escalations in operating leases on a straight-line basis over the term of the lease has resulted in a increase in current year's income of R 12 381.

Operating leases are recognized on the straight-line basis over the lease term. In respect of non-cancellable Operating Leases the following **asset/(liability)** has been recognised:

Accrual as at 30 June

Opening balance	42 183	29 802
Operating lease payments received	(799 608)	(734 566)
Operating income recorded	799 328	746 947

Total Operating Lease Assets/(Liabilities)	41 903	42 183
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No restrictions have been imposed on the Municipality in terms of the lease agreements.

8. PROPERTY, PLANT AND EQUIPMENT

30 June 2016

Reconciliation of Carrying Value	Leased Assets	Movable Assets	Community	Land and Buildings	Infrastructure	Total
	R	R	R	R	R	R
Carrying values at 01 July 2015	154 935	46 205 775	14 854 820	150 793 533	1 551 460 679	1 763 469 742
Cost	382 407	77 353 644	43 831 237	369 326 546	2 945 665 041	3 436 558 875
Transfers	-	-	-	-	-	-
Accumulated depreciation and Impairment	(227 472)	(31 147 869)	(28 976 417)	(218 533 013)	(1 394 204 362)	(1 673 089 133)
- Cost	(227 472)	(31 147 869)	(28 976 417)	(218 533 013)	(1 394 204 362)	(1 673 089 133)
- Transfers	-	-	-	-	-	-
Acquisitions (Cash)	-	2 278 317	1 617 538	1 335 308	67 025 717	72 256 880
Acquisitions (Non- Cash)	-	139 001	-	-	-	139 001
Capital under Construction	-	-	648 334	2 083 912	10 745 075	13 477 321
Transfers	-	-	-	(62 000)	(188 118)	(250 118)
Depreciation	(59 944)	(5 400 124)	(1 105 413)	(5 105 351)	(60 787 951)	(72 458 783)
- based on cost	(59 944)	(5 400 124)	(1 105 413)	(5 105 351)	(60 787 951)	(72 458 783)
Carrying value of disposals	-	(647 066)	(123 540)	(1 561 233)	(1 234 018)	(3 565 857)
Cost	-	(2 441 581)	(183 610)	(1 561 233)	(5 017 772)	(9 204 196)
Accumulated depreciation	-	1 794 515	60 070	-	3 783 754	5 638 339
Impairment losses	-	(539 683)	-	-	(3 000)	(542 683)
Carrying values at 30 June 2016	94 991	42 036 220	15 891 739	147 484 169	1 567 018 384	1 772 525 503
Cost	382 407	77 329 381	45 913 499	371 122 533	3 018 229 943	3 512 977 763
Accumulated depreciation and Impairment	(287 416)	(35 293 161)	(30 021 760)	(223 638 364)	(1 451 211 559)	(1 740 452 260)
- Cost	(287 416)	(35 293 161)	(30 021 760)	(223 638 364)	(1 451 211 559)	(1 740 452 260)

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****8. PROPERTY, PLANT AND EQUIPMENT (continued)****2015**

Reconciliation of Carrying Value	Leased Assets	Movable Assets	Community	Land and Buildings	Infrastructure	Total
R	R	R	R	R	R	R
Carrying values at 01 July 2014	422 991	46 243 966	15 183 224	159 098 845	1 540 053 190	1 761 002 216
Cost	1 143 916	76 412 604	43 677 627	371 471 631	2 888 877 814	3 381 583 592
Transfers	-	-	75 000	(35 000)	(75 000)	(35 000)
Correction of error (note 58.(a) iv).	-	-	-	-	-	-
Accumulated depreciation and Impairment	(720 925)	(30 168 638)	(28 569 403)	(212 337 786)	(1 348 749 624)	(1 620 546 376)
- Cost	(720 925)	(30 168 638)	(28 569 403)	(212 337 786)	(1 348 749 624)	(1 620 546 376)
- Transfers	-	-	-	-	-	-
- Correction of error (note 58.(a) iv).	-	-	-	-	-	-
Acquisitions	-	9 377 911	1 332 481	5 372 231	27 771 504	43 854 127
Capital under Construction	-	-	198 203	-	56 364 184	56 562 387
Borrowing costs Capitalised	-	-	-	-	-	-
Depreciation	(106 058)	(5 370 005)	(1 195 344)	(6 196 306)	(60 309 999)	(73 177 712)
- based on cost	(106 058)	(5 370 005)	(1 195 344)	(6 196 306)	(60 309 999)	(73 177 712)
- Correction of error (note 58.(a) iv).	-	-	-	-	-	-
Carrying value of disposals	(161 998)	(3 979 852)	(663 744)	(7 481 237)	(12 418 200)	(24 705 031)
Cost	(761 509)	(8 436 871)	(1 452 074)	(7 482 316)	(27 273 461)	(45 406 231)
Accumulated depreciation	599 511	4 457 019	788 330	1 079	14 855 261	20 701 200
	-	(66 245)	-	-	-	(66 245)
Impairment losses	-	(66 245)	-	-	-	(66 245)
Carrying values at 30 June 2015	154 935	46 205 775	14 854 820	150 793 533	1 551 460 679	1 763 469 742
Cost	382 407	77 353 644	43 831 237	369 326 546	2 945 665 041	3 436 558 875
Accumulated depreciation and Impairment	(227 472)	(31 147 869)	(28 976 417)	(218 533 013)	(1 394 204 362)	(1 673 089 133)
- Cost	(227 472)	(31 147 869)	(28 976 417)	(218 533 013)	(1 394 204 362)	(1 673 089 133)

The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.

No Property, Plant and Equipment were retired from active use and held for disposal during the financial year. Compensation in the amount of R 139 001 (2015: R 21 223), included in Operating Surplus, was received from the municipality's insurers for Property, Plant and Equipment lost during the year. None of the above assets are pledged as security.

Impairment Losses on Property, Plant and Equipment to the amount of R 542 683 (2015: R 66 245) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 36. This is mainly due to impairment of vehicles.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

There are Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality. The estimation of the useful lives of assets is a matter of judgement based on the municipality's experience with similar assets. Assets however exist in the asset register which are fully depreciated but still in use. Based on the useful lives and conditions of assets, certain assets have been scheduled for replacement, however, due to budget constraints, the municipality was not able to replace the assets and these have been fully depreciated and shall remain fully depreciated until disposal and replacement.

Refer to Appendix B for more detail on property, plant and equipment, including those in the course of construction.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
9. INVESTMENT PROPERTY		
At cost less accumulated depreciation	29 170 620	26 638 601
The movement in investment properties is reconciled as follows:		
Carrying value at the beginning of the year	26 638 601	28 541 839
Cost	30 376 999	32 283 866
Accumulated depreciation	(3 738 398)	(3 742 027)
Additions to existing investment properties:		
Acquisitions (Cash)	1 200 000	-
Acquisitions (Non- Cash)	2 134 501	1 929 000
Transfer to Inventory (Grap 16.65 and 16.70)	(100 704)	(40 000)
Depreciation	(24 792)	(24 724)
Disposal at Cost	(677 172)	(3 795 867)
Disposal Depreciation	186	28 353
Carrying value at the end of the year	29 170 620	26 638 601
Cost	32 933 624	30 376 999
Accumulated depreciation	(3 763 004)	(3 738 398)
The following is included in the net surplus/(deficit)		
Rental revenue earned from Investment Properties	356 039	325 072
Direct Operating expenses - incurred to generate rental revenue	226 966	295 286
Direct Operating expenses - incurred which did not generate rental revenue	2 232 157	1 538 508
Details of investment property:		
Investment property consists of:		
- Land	27 820 313	25 263 688
- Buildings	5 113 310	5 113 310
- Accumulated depreciation on Buildings	(3 763 003)	(3 738 397)
Fair Value of investment properties.		

The municipality's Investment Properties are accounted for according to the cost model and therefore no fair value has been determined.

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality. There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are the no contractual obligations on Investment Property.

The fair value of investment properties is estimated at R 134 759 500 which is based on a valuation by an independent valuer who holds a recognised and relevant qualification. The determination of fair value is supported by market evidence.

10. INTANGIBLE ASSETS

30 June 2016

Reconciliation of Carrying Value	Software Licenses	Website	Total
	R	R	R
Carrying values at 01 July 2015	3 015 296	31 701	3 046 997
- Cost	5 030 751	69 704	5 100 455
Accumulated Amortisation and Impairment	(2 015 455)	(38 003)	(2 053 458)
- Cost	(2 015 455)	(38 003)	(2 053 458)
Acquisitions			
Purchased	8 136	-	8 136
Transfers	188 118		188 118

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****10. INTANGIBLE ASSETS (continued)**

Reconciliation of Carrying Value	Software Licenses	Website	Total
Other movements	(28 262)	-	(28 262)
Disposal at Cost	(208 741)	-	(208 741)
Disposal Depreciation	180 479	-	180 479
Amortisation	(734 600)	-	(734 600)
- based on Cost	(734 600)	-	(734 600)
Carrying values at 30 June 2016	2 448 688	31 701	2 480 389
- Cost	5 018 264	69 704	5 087 968
Accumulated amortisation	(2 569 576)	(38 003)	(2 607 579)
- Cost	(2 569 576)	(38 003)	(2 607 579)

30 June 2015**Restated**

Reconciliation of Carrying Value	Software Licenses	Website	Total
	R	R	R
Carrying values at 01 July 2014	1 128 075	31 701	1 159 776
Cost	2 610 182	69 704	2 679 886
- Transfers	-	-	-
Accumulated Amortisation and Impairment	(1 482 107)	(38 003)	(1 520 110)
- Cost	(1 482 107)	(38 003)	(1 520 110)
- Transfers	-	-	-
Acquisitions			
Purchased	2 444 373	-	2 444 373
Other movements	(1 427)	-	(1 427)
Disposal at Cost	(23 804)	-	(23 804)
Disposal Depreciation	22 377	-	22 377
Amortisation	(555 725)	-	(555 725)
- based on Cost	(555 725)	-	(555 725)
Correction of error (Note 58)	-	-	-
Carrying values at 30 June 2015	3 015 296	31 701	3 046 997
- Cost	5 030 751	69 704	5 100 455
Accumulated amortisation	(2 015 455)	(38 003)	(2 053 458)
- Cost	(2 015 455)	(38 003)	(2 053 458)

Intangible Assets Useful Lives

The useful lives of Intangible Assets remain unchanged from the previous year, for which amortisation is charged on a straight-line basis over the Intangible Assets' useful lives.

The municipality amortises all its Intangible Assets and none of such assets are regarded as having indefinite useful lives. The useful lives of the Intangible Assets remain unchanged from the previous year.

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 36).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****11. HERITAGE ASSETS****30 June 2016**

Reconciliation of Carrying Value	Historical Monuments	Historical Buildings	Total
	R	R	R
Carrying value at the beginning of the year	183 634	586 266	769 900
Cost	183 634	586 266	769 900
Carrying value at the end of the year	183 634	586 266	769 900
Cost	183 634	586 266	769 900

30 June 2015

Reconciliation of Carrying Value	Historical Monuments	Historical Buildings	Total
	R	R	R
Carrying value at the beginning of the year	181 000	586 266	767 266
Cost	181 000	586 266	767 266
Additions to existing heritage assets	2 634	-	2 634
Carrying value at the end of the year	183 634	586 266	769 900
Cost	183 634	586 266	769 900
Accumulated Impairment Losses	-	-	-

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No impairment losses have been recognised on Heritage Assets of the municipality at the reporting date.

The municipality's Heritage Assets are accounted for according to the cost model and therefore no fair value has been determined.

12. LONG-TERM RECEIVABLES

	R	R
<i>Neither past due nor impaired</i>		
Loans to Public Organisations	197 520	213 876
<i>Less</i> : Current portion transferred to current receivables	(18 184)	(16 356)
Total	179 336	197 520

LOANS TO PUBLIC ORGANISATIONS

Under the previous dispensation loans raised at an interest rate of one percent per annum repayable over a period of forty years were granted by the State to the Municipality who in turn, made the said loans available to Public Organisations for the purpose of providing housing to indigent old age persons. The Municipality merely acted as an intermediater between the State and such Organisations. The outstanding balances of these loans were subsequently written off by the State whilst the annual instalment, still recoverable from the various Organisations, are credited to the Housing Fund. Loans are repaid over periods of thirty to forty years and at interest rates varying from one to eleven point two five percent per annum. (See note 22)

Management of the municipality is of the opinion that the carrying value of Long- Term Receivables recorded at amortised cost in the financial statements approximate their fair values.

The fair value of Long- Term Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

Long- term receivables are neither past due nor impaired as management have no concerns over the credit quality of these assets.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
13. FINANCE LEASE RECEIVABLES		
Housing selling scheme loans	13 787	18 541
Less : Current portion transferred to current receivables	(3 524)	(4 754)
Total	10 263	13 787

13. 1 Leasing Arrangements: House selling scheme loans

The municipality entered into finance Leasing Arrangements for house selling scheme loans. The average term of Finance Leases entered into is between six and twenty years.

13. 2 Amounts receivable under finance leases

	Minimum Lease Payments		Present Value of Minimum Lease	
	2016 R	2015 R	2016 R	2015 R
Within one year	5 386	7 257	3 525	4 754
In the second to fifth year	11 416	15 657	8 369	11 110
Over five years	2 284	3 430	1 893	2 677
	19 086	26 344	13 787	18 541
Less: Unearned Finance	(5 299)	(7 803)		
Total Finance Lease Receivables	13 787	18 541	13 787	18 541

	2016 R	2015 R
Included in the Annual Financial Statements as:		
Current Finance lease receivables	3 524	4 754
Non-Current Finance lease receivables	10 263	13 787
	13 787	18 541

Loans were granted to the tenants of low cost housing erected by the Municipality with funds provided by the State, in order to enable them to purchase the houses they previously rent from the Municipality. Loans are repaid over a period of twenty years and at an interest rate of thirteen point five percent per annum. The instalments of interest and redemption recoverable from the purchasers are credited to the Housing Fund. (See note 22)

The interest rate inherent to the leases are fixed at the contract date over the entire lease term. The average effective interest rate contracted is 13.50 % (2015: 13.50 %) per annum.

Finance Lease Receivables are secured over the equipment leased. The municipality is not permitted to sell or repledge the collateral in the absence of default by the lessee.

14. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	48 923 360	56 447 963
Payments received in advance	921 335	913 019
Retentions	4 861 030	3 097 945
Staff leave	8 000 610	7 367 238
Other payables	12 367 755	4 665 690
Total Creditors	75 074 090	72 491 855

The average credit period on purchases is 30 days from the receipt of the invoice (as determined by the MFMA). No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe. Retentions refer to construction contracts.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
15. CONSUMER DEPOSITS		
Electricity and Water	9 376 686	8 714 594
Interest paid	-	-
Total Consumer Deposits	9 376 686	8 714 594

Guarantees amounting to R 662 653 (2015: R 611 653) are held in lieu of Electricity and Water Deposits.

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the Council can utilize the deposit as payment for the outstanding account. No interest is paid on consumer deposits held.

16. LONG- TERM BORROWINGS

Annuity Loans	133 483 745	137 477 367
Capitalised Lease Liability (see to note 17).	1 125 104	1 843 976
Sub-total	134 608 849	139 321 343
Less : Current portion transferred to current liabilities	5 576 066	4 933 979
Annuity Loans	4 450 962	3 993 622
Capitalised Lease Liability	1 125 104	940 357
Total: Long-term Borrowings (Neither past due nor impaired)	129 032 783	134 387 364

Summary of arrangements

Annuity Loans are repaid over periods varying from ten to twenty years (2015: ten to twenty years), and at interest rates varying from 9.575 % to 10.96 % (2015: 7.894 % to 11.6 %). Annuity Loans are not secured.

For detail of leasing arrangements regarding capitalised finance lease liabilities refer to note 17.

Refer to APPENDIX A for more detail on long- term liabilities.

17. FINANCE LEASE LIABILITIES**The Municipality as lessee*****Leasing arrangements:***

Capitalised Lease Liabilities relate to office equipment with lease terms of five years (2015: five years). The effective interest rate on finance leases is between 6.43 % and 20.28 % (2015: 6.43 % and 20.28 %). Capitalised lease liabilities are secured over the items of office equipment leased.

The Municipality as lessee (continued)***The obligations under finance leases are scheduled below:***

	Minimum Lease Payments		Present Value of Minimum Lease	
	2016 R	2015 R	2016 R	2015 R
Amounts payable under finance leases				
Within one year	1 218 152	1 100 034	1 125 104	940 357
1 to 5 years	-	989 307	-	903 619
More than 5 years	-	-	-	-
	1 218 152	2 089 341	1 125 104	1 843 976
Less: Future finance charges	(93 048)	(245 365)		
Present Value of Lease obligations (see note 16)	1 125 104	1 843 976	1 125 104	1 843 976
Less amounts due for settlement within 12 months (current portion)			(1 125 104)	(940 357)
Amounts due for settlement after 12 months (non-current)			-	903 619

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****17.. FINANCE LEASE LIABILITIES (continued)**

The municipality has finance lease agreements for office equipment. Included are the following significant leases:

(i) HiPath 3800 V8

- Instalments are payable monthly in advance	
- Average period outstanding	7 months
- Average effective interest rate	6.43 %
- Average monthly instalment	9 780

The municipality did not default on any payment of its Finance Lease Liabilities. No terms for payment have been re-negotiated by the municipality.

18. PROVISIONS

	2016	2015
	R	R
Current portion of Post-Employment Health Care Benefits(see note 21)	1 777 740	1 595 964
Current portion of Long-Service Awards (see note 21)	1 306 311	625 861
Bonuses	3 605 627	3 165 999
Total Provisions	6 689 678	5 387 824

The movement in current provisions are reconciled as follows:

		Bonuses	Post- Employment Health Care Benefits	Current portion of Long- service awards
		R	R	R
30 June 2016				
Balance at beginning of year		3 165 999	1 595 964	625 861
Contributions to provision		3 605 627	1 889 842	1 270 750
Expenditure incurred		-	(1 708 066)	(590 300)
Reversal of provision		(3 165 999)	-	-
Balance at end of year		3 605 627	1 777 740	1 306 311
	Workman Compensation	Bonuses	Post- Employment Health Care Benefits	Current portion of Long- service awards
	R	R	R	R
30 June 2015				
Balance at beginning of year	903 084	2 911 409	1 621 000	737 000
Contributions to provision	-	3 165 999	1 525 149	604 390
Expenditure incurred	(903 084)	-	(1 578 211)	(715 529)
Reversal of provision	-	(2 911 409)	28 026	-
Balance at end of year	-	3 165 999	1 595 964	625 861

Bonuses

Service bonuses are granted to municipal employees as a 13th cheque. An estimate amount for the provision raised is determined according to the amount accruing to employees from December to June which is based on their salaries earned at 30 June of each year.

Workman Compensation

The amount due to the Workmen's Compensation Commissioner is not known in advance and an estimation is determined based on the following calculation: The sum of the actual amount for the previous year and the tentative amount for the current year less the estimate for the previous year is multiplied by the applicable tariff.

For more information on the Post-employment health care and long service awards see note 21.

19. VAT

VAT is accounted for on the payment basis. Only when payment has been received from debtors VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
20. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
<i>20.1 Conditional Grants by other spheres of Government</i>	1 533 773	247 039
Community Development: Workers	1 687	-
Financial Management Grant	-	98 705
Financial Management Support Grant: SCOA	36 533	-
Financial Management Support Grant: Long- Term Financial Plan	-	100 000
Fire Damage Houses	-	48 334
Municipal Systems Improvement Grant	312 267	-
Regional Socio- Economic Project (RSEP)	1 183 286	-
<i>20.2 Other Receipts</i>	4 500 000	5 480 440
Bokomo: Road Upgrade	4 500 000	4 500 000
National Lottery	-	980 440
Total Conditional Grants and Receipts	6 033 773	5 727 479

The Unspent Grants are cash backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld. The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 26 for reconciliation of grants by other spheres of government.

21. PROVISION FOR EMPLOYEE BENEFITS

Post-Employment Health Care Benefit Liability	58 425 768	49 596 965
Long Service Awards	9 142 519	8 624 237
Total: Employee Benefits	67 568 287	58 221 202
Less: Transfer to Current Provisions: Post-Employment Health Care Benefit Liability	(1 777 740)	(1 595 964)
Less: Transfer to Current Provisions: Long Service Awards	(1 306 311)	(625 861)
Net Employee Benefits	64 484 236	55 999 377

Post-Employment Health Care Benefit Liability

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The most recent actuarial valuations of the present value of the unfunded defined benefit obligation were carried out as at 30 June 2016 by ARCH Actuarial Consulting, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other post retirement or long service benefits are provided by the municipality.

The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

- In-service members	252	240
- Continuation members	53	52
Total	305	292

The liability in respect of past service has been estimated to be as follows:

- In-service members	37 134 145	30 726 369
- Continuation members	21 291 623	18 870 596
	58 425 768	49 596 965

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas
- Keyhealth
- LA Health
- Samwumed

The future service cost for the ensuing year is established to be R 2 945 386, whereas the interest-cost for the next year is estimated to be R 5 217 771 (2016: R 2 560 999 and R 4 374 465 respectively).

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
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21. PROVISION FOR EMPLOYEE BENEFITS (continued)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate	9.07 %	8.96 %
Health Care Cost Inflation Rate	8.18 %	8.06 %
Net Effective Discount Rate	0.81 %	0.83 %
Expected Rate of Salary Increase	7.23 %	7.15 %
General Inflation Rate (CPI)	6.68 %	6.56 %
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	58 425 768	49 596 965
Present value of unfunded obligations	58 425 768	49 596 965
Benefit Liability	58 425 768	49 596 965

The amount recognised in the Statement of Financial Performance are as follows:

Current service cost	2 560 999	2 008 000
Interest cost	4 374 465	4 041 000
Actuarial (gains)/losses	3 601 405	143 176
Total included in Employee Related Costs (see to note 34).	10 536 869	6 192 176

The movement in the defined benefit obligation over the year is as follows:

Balance at beginning of year	49 596 965	44 983 000
Current service cost	2 560 999	2 008 000
Interest cost	4 374 465	4 041 000
Benefits paid	(1 708 066)	(1 578 211)
Actuarial (gain)/loss on the obligation	3 601 405	143 176
Balance at end of year	58 425 768	49 596 965

The effect of a 1 % movement in the assumed rate of health care cost inflation is as follows:

Increase

Effect on the aggregate of the current service cost and the interest cost	1 599 600	1 167 300
Effect on the defined benefit obligation	9 733 722	7 332 545

Decrease

Effect on the aggregate of the current service cost and the interest cost	(1 269 000)	(1 042 300)
Effect on the defined benefit obligation	(7 871 668)	(6 495 397)

The history of experienced adjustments is as follows:

	2016 R	2015 R	2014 R	2013 R	2012 R
Defined benefit obligation	58 425 768	49 596 965	44 983 000	39 121 000	29 465 874
Experience adjustments on plan liabilities	1 047 819	(318 887)	3 300 000	6 006 000	1 928 461

The municipality expects to make a contribution of R 8 163 157 (2015: R 6 935 464) to the defined benefit plans during the next financial year.

Refer to Note 51 "Multi- Employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

Long Service Awards

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality (which includes their uninterrupted service with the former local authorities amalgamated in December 2000 to become Swartland Municipality). The said award comprises a certain number of vacation leave days which, in accordance with the option exercised by the beneficiary employee, can be converted into a cash amount based on his/her basic salary applicable at the time the award becomes due or, alternatively, credited to his/her vacation leave accrual. The provision represents an estimation of the awards to which employees in the service of the Municipality at " & may become entitled to in future, based on an actuarial valuation performed at that date.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
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21. PROVISION FOR EMPLOYEE BENEFITS (continued)***Long Service Awards (continued)***

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2016 by ARCH Actuarial Consulting, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 52 (2015: 26) employees were eligible for Long-service Awards.

The future service cost for the ensuing year is established to be R 744 901 whereas the interest-cost for the next year is estimated to be R 729 459 (2015: R 726 086 and R 676 862 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate	8.58 %	8.14 %
Expected Rate of Salary Increase	7.23 %	7.15 %
Net Effective Discount Rate	1.26 %	0.92 %
General Inflation Rate (CPI)	6.23 %	6.56 %
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	9 142 519	8 624 237
	9 142 519	8 624 237
Present value of unfunded obligations	9 142 519	8 624 237
Net liability	9 142 519	8 624 237

The amount recognised in the Statement of Financial Performance are as follows:

Current service cost	726 086	702 000
Interest cost	676 862	671 000
Actuarial (gain)/loss on the obligation	(294 366)	(451 234)
Total included in Employee Related Costs (see to note 34).	1 108 582	921 766

The movement in the defined benefit obligation over the year is as follows:

Balance at beginning of year	8 624 237	8 418 000
Current service cost	726 086	702 000
Interest cost	676 862	671 000
Benefits paid	(590 300)	(715 529)
Actuarial (gain)/loss on the obligation	(294 366)	(451 234)
Balance at end of year	9 142 519	8 624 237

The history of experienced adjustments is as follows:

	2016 R	2015 R	2014 R	2013 R	2012 R
Defined benefit obligation	9 142 519	8 624 237	8 418 000	7 919 000	5 417 250
Experience adjustments on plan liabilities	(45 580)	(221 306)	310 000	1 350 000	291 445

22. STATUTORY FUND: HOUSING DEVELOPMENT

	2016 R	2015 R
Housing Fund	211 307	232 417

Analysis of the composition of the Housing Development Fund:

Housing Development Fund	211 307	232 417
Loans extinguished by Government on 1 April 1998	211 307	232 417

The Housing Development Fund is represented by the following assets and liabilities:

Housing selling scheme loans (see note 13).	13 787	18 541
Long- Term Receivables (see note 12).	197 520	213 876

Total Housing Development Fund Assets and Liabilities	211 307	232 417
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SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
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22. STATUTORY FUND: HOUSING DEVELOPMENT (continued)

The Housing Development Fund has its origin from Loans extinguished by Government on 1 April 1998 and the net of housing transactions appropriated to the fund thereafter. No separate Unappropriated Surplus Account for housing transactions was kept.

23. RESERVES: CAPITAL REPLACEMENT

Balance at the beginning of the year	100 000 000	87 002 707
Contribution from accumulated Surplus	66 000 000	58 416 760
Capital Contributions received	1 004 028	9 649 523
Funding Capital Projects	(26 297 465)	(55 068 990)
Total Capital Replacement Reserve	140 706 563	100 000 000

The Capital Replacement Reserve is a reserve to finance future capital expenditure, is fully funded and invested in Financial Instruments.

24. ACCUMULATED SURPLUS

	Restated
Accumulated surplus/(deficit) due to the results of operations	1 753 227 224
	1 736 503 735

Accumulated Surplus has been restated to correctly classify amounts held by the municipality as indicated below. Refer to Note 59 a(i), a (ii), a (iii), and a (iv) "Correction of Error" for details of the restatements.

- Recognition of items erroneously capitalised
- Recognition of accruals not raised

25. PROPERTY RATES

<u>Actual</u>		Restated
Residential	55 848 156	51 958 145
Commercial	6 675 253	6 048 107
Industrial	4 426 339	4 044 291
Rural	12 242 715	11 067 927
State	4 347 318	3 572 850
	83 539 781	76 691 320
Less: Revenue Forgone	3 566 760	3 360 815
Total Assessment Rates	79 973 021	73 330 505

Valuations

<u>Actual</u>		
Residential	9 255 531 656	9 070 992 332
Commercial	887 603 250	863 638 250
Industrial	586 129 887	575 346 887
Rural	7 712 185 767	7 706 172 767
State	577 576 500	560 458 000
	19 019 027 060	18 776 608 236

Assessment Rates are levied on the value of land and improvements, less R 15 000 for residential properties, which valuation must be performed every four years. Interim valuations are processed on a bi- annual basis in November and April of each year to take into account changes in individual property values due to alterations, consolidations and subdivisions. The last valuation came into effect on 1 July 2012.

Differential rates of 0.006319 c/R for residential properties and 0.007631 c/R for commercial, industrial, rural and state properties (2014/2015: 0.005961 and 0.007066 c/R) on land and building valuations were applied to determine assessment rates. A rebate of 40,00 % (2014/2015: 40,00%) was allowed on residential properties for pensioners based on the annual income of the ratepayer whilst a discount of 65 % (2014/2015: 76 %) was granted on properties owned by residence of Jakkalsfontein and Grotto Bay and a discount of 76 % (2014/2015: 76%) on agricultural land. A exemption of R 15 000 on the value of the property is granted to residential property owners. A further R 200 000 discount on the market value of the property, over and above the aforementioned R 15 000 is granted on the value of the property for residents 65 years and older on condition that they occupy the premises.

Rates are levied annually on property owners. Owners are allowed to pay the annual assessment in 12 monthly instalments, which are payable on the last day of the month. Interest is levied at the prime rate plus 1% on outstanding property rates amounts.

Revenue Forgone are in respect of assistance to and providing basic service levels to indigent households to an amount equal to the property valuation up to R 100 000.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
26. GOVERNMENT AND OTHER GRANTS AND SUBSIDIES		
<i>Conditional Grants</i>		
ACIP: Water Conservation	-	403 572
Community Development: Workers	34 313	58 800
Energy Efficiency and Demand Side Management	5 000 000	10 000 000
Extended Public Works Programme	1 185 000	1 213 000
Financial Management Grant	1 548 705	1 351 295
Financial Support: Bulk SMS System	49 533	-
Financial Management Support Grant: Annual Report	-	181 114
Financial Management Support Grant: SCOA	13 467	-
Financial Management Support Grant: Long- Term Financial Plan	100 000	250 000
Fire Damage Houses	48 334	507 936
Greenest Town	50 000	19 676
Housing: Abbotsdale	-	9 510 030
Housing Phola Park	44 824 910	8 965 780
Housing Consumer Education Grant	-	19 285
Libraries	8 613 180	5 817 000
Municipal Infrastructure Grant	22 709 000	19 918 000
Municipal Systems Improvement Grant	617 733	897 645
Proclaimed Roads	9 948 000	1 059 800
Refurbishment Municipal Flats	1 012 354	456 000
Regional Socio- Economic Project (RSEP)	666 714	-
Sondeza	100 000	99 000
Thusong Centre	100 000	222 000
Upgrading of Tennis Courts	-	150 000
Total: Conditional Grants	96 621 243	61 099 933
<i>Unconditional Grants</i>		
Equitable Share	51 772 000	43 093 000
Total: Unconditional Grants	51 772 000	43 093 000
Total Government Grant and Subsidies	148 393 243	104 192 933
26. 1 ACIP		
Balance unspent at beginning of year	-	-
Current year receipts	-	2 827 000
Conditions met - transferred to revenue	-	(403 572)
Transferred to debtors	-	(2 423 428)
Conditions still to be met transferred to liabilities (see note 20)	-	-
Funds made available for the construction of a Waste Water Treatment Works at Riebeeck Wes and Kasteel.		
26. 2 Community Development: Workers		
Balance unspent at beginning of year	-	-
Current year receipts	36 000	58 800
Conditions met - transferred to revenue	(34 313)	(58 800)
Conditions still to be met transferred to liabilities (see note 20)	1 687	-
Funds made available for sundry expenditure and stationery for workers, under the control of the Municipality but remunerated by PAWC.		
26. 3 Energy Efficiency and Demand Side Management		
Balance unspent at beginning of year	-	-
Current year receipts	5 000 000	10 000 000
Conditions met - transferred to revenue	(5 000 000)	(10 000 000)
Conditions still to be met transferred to liabilities (see note 20)	-	-
Funds provided to improve efficiency of electricity usage.		

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
26. GOVERNMENT AND OTHER GRANTS AND SUBSIDIES (continued)		
26. 4 Extended Public Works Programme		
Balance unspent at beginning of year	-	-
Current year receipts	1 185 000	1 213 000
Conditions met - transferred to revenue	(1 185 000)	(1 213 000)
Conditions still to be met transferred to liabilities (see note 20)	-	-
The purpose of the grant is to enable the Municipality to create jobs.		
26. 5 Financial Management Grant		
Balance unspent at beginning of year	98 705	-
Current year receipts	1 450 000	1 450 000
Conditions met - transferred to revenue	(1 548 705)	(1 351 295)
Conditions still to be met transferred to liabilities (see note 20)	-	98 705
The purpose of the grant is to enable the Municipality to modernise and improve its financial management activities entailing, among others, capacity building, the implementation of municipal finance management legislation and regulating policies and compliance with generally accepted municipal accounting practices.		
26. 6 Financial Support: Bulk SMS System		
Balance unspent at beginning of year	-	-
Current year receipts	49 533	-
Conditions met - transferred to revenue	(49 533)	-
Conditions still to be met transferred to liabilities (see note 20)	-	-
The purpose of the grant is to enable the Municipality to modernise and improve its SMS System .		
26. 7 Financial Management Support Grant: Annual Report		
Balance unspent at beginning of year	-	21 114
Current year receipts	-	160 000
Conditions met - transferred to revenue	-	(181 114)
Conditions still to be met transferred to liabilities (see note 20)	-	-
The purpose of the grant is to enable the Municipality to modernise and improve its Annual Report.		
26. 8 Financial Management Support Grant: SCOA		
Balance unspent at beginning of year	-	-
Current year receipts	50 000	-
Conditions met - transferred to revenue	(13 467)	-
Conditions still to be met transferred to liabilities (see note 20)	36 533	-
The purpose of the grant is to enable the Municipality to implement mSCOA .		
26. 9 Financial Management Support Grant: Long Term Financial Plan		
Balance unspent at beginning of year	100 000	-
Current year receipts	-	350 000
Conditions met - transferred to revenue	(100 000)	(250 000)
Conditions still to be met transferred to liabilities (see note 20)	-	100 000
The purpose of the grant is to enable the Municipality to compile a Long- Term Financial Plan.		
26. 10 Fire Damage: Housing		
Balance unspent at beginning of year	48 334	42 328
Current year receipts	-	513 942
Conditions met - transferred to revenue	(48 334)	(507 936)
Conditions still to be met transferred to liabilities (see note 20)	-	48 334
Funds provided to enable the Municipality to finance the repair costs of houses damaged by fire for low income groups.		

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
26. GOVERNMENT AND OTHER GRANTS AND SUBSIDIES (continued)		
26. 11 Greenest Town		
Balance unspent at beginning of year	-	19 676
Current year receipts	50 000	-
Conditions met - transferred to revenue	(50 000)	(19 676)
Conditions still to be met transferred to liabilities (see note 20)	-	-
Prize money for achieving 3rd place at the National Greenest Town Competition.		
26. 12 Housing: Abbotsdale		
Balance unspent at beginning of year	-	-
Current year receipts	400 253	10 635 634
Conditions met - transferred to revenue	-	(9 510 030)
Transferred to debtors	-	(1 525 857)
Transferred to debtors	(400 253)	400 253
Conditions still to be met transferred to liabilities (see note 20)	-	-
Funds provided to enable the Municipality to finance the construction costs of housing for low income groups.		
26. 13 Housing Consumer Education Grant		
Balance unspent at beginning of year	-	19 285
Current year receipts	-	-
Conditions met - transferred to revenue	-	(19 285)
Conditions still to be met transferred to liabilities (see note 20)	-	-
Funds allocated for educating first time homeowners.		
26. 14 Housing: Phola Park		
Balance unspent at beginning of year	-	-
Current year receipts	52 647 015	1 143 675
Conditions met - transferred to revenue	(44 824 910)	(8 965 780)
Transferred to debtors	(7 822 105)	7 822 105
Conditions still to be met transferred to liabilities (see note 20)	-	-
Funds provided to enable the Municipality to finance the construction costs of housing for low income groups.		
26. 15 Libraries		
Balance unspent at beginning of year	-	-
Current year receipts	8 613 180	5 817 000
Conditions met - transferred to revenue	(8 613 180)	(5 817 000)
Conditions still to be met transferred to liabilities (see note 20)	-	-
Funds provided for the partial funding of the operational and capital costs of libraries in the area under the jurisdiction of the Swartland Municipality.		
26. 16 Municipal Infrastructure Grant		
Balance unspent at beginning of year	-	-
Current year receipts	22 709 000	19 918 000
Conditions met - transferred to revenue	(22 709 000)	(19 918 000)
Conditions still to be met transferred to liabilities (see note 20)	-	-
Funds made available to the Municipality for the upgrading of existing infrastructure in its area of jurisdiction and/or the erection / construction of new amenities required for service delivery and the development of sport.		
26. 17 Municipal Systems Improvement Grant		
Balance unspent at beginning of year	-	-
Current year receipts	930 000	934 000
Conditions met - transferred to revenue	(617 733)	(897 645)
Transferred to debtors	-	(36 355)
Conditions still to be met transferred to liabilities (see note 20)	312 267	-
The purpose of the grant is to enable the Municipality to modernise and improve its financial management activities.		

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
26. GOVERNMENT AND OTHER GRANTS AND SUBSIDIES (continued)		
26. 18 Proclaimed Roads Subsidies		
Balance unspent at beginning of year	-	-
Current year receipts	9 948 000	1 059 800
Conditions met - transferred to revenue	(9 948 000)	(1 059 800)
Conditions still to be met transferred to liabilities (see note 20)	-	-
Expenditure incurred by the Municipality in connection with the maintenance of proclaimed main roads falling under the jurisdiction of the Municipality, in accordance with a budget approved by the PAWC, which costs is partly recoverable from the Administration.		
26. 19 Refurbishment of Municipal Flats		
Balance unspent at beginning of year	-	-
Current year receipts	1 012 354	456 000
Conditions met - transferred to revenue	(1 012 354)	(456 000)
Conditions still to be met transferred to liabilities (see note 20)	-	-
Funds allocated in connection with the renovation of the Municipal Flats.		
26. 20 Sondeza		
Balance unspent at beginning of year	-	-
Current year receipts	100 000	99 000
Conditions met - transferred to revenue	(100 000)	(99 000)
Conditions still to be met transferred to liabilities (see note 20)	-	-
Funds received from PAWC for the hosting of a Youth Camp.		
26. 21 Regional Socio- Economic Project (RSEP)		
Balance unspent at beginning of year	-	-
Current year receipts	1 850 000	-
Conditions met - transferred to revenue	(666 714)	-
Conditions still to be met transferred to liabilities (see note 20)	1 183 286	-
Funds received from PAWC for the social upliftment in lower income areas to improve living conditions and combat crime		
26. 22 Thusong Centre: Operational Support		
Balance unspent at beginning of year	-	-
Current year receipts	100 000	222 000
Conditions met - transferred to revenue	(100 000)	(222 000)
Conditions still to be met transferred to liabilities (see note 20)	-	-
Funds allocated and expended in connection with the operations of the Thusong Centre.		
26. 23 Upgrading of Tennis Courts		
Balance unspent at beginning of year	-	-
Current year receipts	-	150 000
Conditions met - transferred to revenue	-	(150 000)
Conditions still to be met transferred to liabilities (see note 20)	-	-
Funds allocated and expended for the upgrading of Tennis Courts in the Swartland Area.		
26. 24 Equitable Share		
Balance unspent at beginning of year	-	-
Current year receipts	51 772 000	43 093 000
Conditions met - transferred to revenue	(51 772 000)	(43 093 000)
Conditions still to be met transferred to liabilities (see note 20)	-	-

In terms of the Constitution, article 227 (1) (a) a Municipality is entitled to an equitable share of revenue raised nationally to enable it to provide basic services and perform the functions allocated to it. This unconditional grant is used primarily to subsidise the provision of basic services to the community. All registered indigents receive a monthly subsidy towards the cost of basic services, which is funded from this grant. No funds were withheld.

26. 25 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2005), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****27. PUBLIC CONTRIBUTIONS AND DONATIONS***Public Contributions and donations*

Atuba Construction: Play Park
PPC: Upgrading Riebeek Valley WWTW

*Total: Public Contributions and donations**Other contributions and donations*

National Lottery

*Total: Other contributions and donations***Total: Contributions and donations****27. 1 Atuba Construction: Play Park**

Balance unspent at beginning of year
Current year receipts
Conditions met - transferred to revenue

Conditions still to be met transferred to liabilities (see note 20)

Contribution towards the construction of a play park.

27. 2 PPC: Upgrading of Riebeek Valley WWTW

Balance unspent at beginning of year
Current year receipts
Conditions met - transferred to revenue

Conditions still to be met transferred to liabilities (see note 20)

Funds contributed by PPC for the upgrading of the Riebeek Valley Waste Water Treatment Works.

27. 3 Bokomo Road Upgrade

Balance unspent at beginning of year
Current year receipts
Conditions met - transferred to revenue

Conditions still to be met transferred to liabilities (see note 20)

Funds contributed by Bokomo for the upgrading of Bokomo Road.

27. 4 National Lottery

Balance unspent at beginning of year
Current year receipts
Conditions met - transferred to revenue
Transferred to Debtors

Conditions still to be met transferred to liabilities (see note 20)

Funds allocated for the establishment and upgrading of sport facilities.

28. FINES

Fines: Councillors
Library Chatsworth
Library Darling
Library Malmesbury
Library Moorreesburg
Library Riebeek Kasteel
Library Riebeek Wes
Library Wesbank
Traffic and other Fines

Total Fines

	2016 R	2015 R
	-	12 000
	1 500 000	1 500 000
	1 500 000	1 512 000
	980 440	41 562
	980 440	41 562
	2 480 440	1 553 562
	-	-
	-	12 000
	-	(12 000)
	-	-
	-	-
	1 500 000	1 500 000
	(1 500 000)	(1 500 000)
	-	-
	4 500 000	2 250 000
	-	2 250 000
	-	-
	4 500 000	4 500 000
	980 440	-
	-	1 514 399
	(980 440)	(41 562)
	-	(492 397)
	-	980 440
	-	-
	646	271
	8 596	5 748
	19 740	10 847
	6 632	3 930
	3 579	2 579
	6 632	3 930
	10 312	6 725
	17 295 250	27 643 519
	17 351 387	27 677 549

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016	2015
29. LICENCES AND PERMITS		
Application: Driver Licenses	763 296	805 235
Application: Instruction Certificate	2 461	4 342
Application: Learner Licenses	227 385	253 571
Application: Roadworthy Certificate	428 296	457 520
Application: Special Permits	47 856	36 432
Application: Temporary Permits	80 586	58 938
Drivers Licenses: Issue	346 258	403 726
Drivers Licenses: Temporary	72 713	67 226
Instruction Certificates: Issue	174	347
Learners License: Duplicate	4 661	5 848
Learners Licenses: Issue	60 530	66 465
Roadworthy Certificates	84 615	91 939
Licences: Deregistration, Special a	27 500	25 950
Licences: Trading	1 552	540
Professional Driver Permits	130 738	153 195
Registrations: Duplicate	112 200	109 560
Registrations Vehicles	1 371 545	1 128 636
Registrations: Vehicle Information	198	66
Traffic Register: Duplicate	5 643	3 960
Total: Licences And Permits	3 768 207	3 673 496
30. SERVICE CHARGES		Restated
Sale of electricity	229 746 793	200 902 533
Sale of water	47 197 332	41 999 785
Refuse removal	29 665 739	27 047 358
Sewerage and sanitation charges	44 033 953	39 655 348
	350 643 817	309 605 024
Less: Revenue Forgone	45 285 865	38 715 522
Total Service Charges	305 357 952	270 889 502
The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs. Revenue Forgone are in respect of assistance by providing free basic services to indigent households as follows: Electricity = 50 kWh, Water = 9 kl, Sewerage = R 176 and Refuse = R 101.		
31. RENTAL OF FACILITIES AND EQUIPMENT		Restated
Rental Revenue from Buildings	356 039	324 682
Rental Revenue from Halls	269 709	254 151
Rental Revenue from Other facilities	3 020 317	2 848 547
Total Rental of Facilities and Equipment	3 646 065	3 427 380
Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.		
32. INTEREST EARNED		
External Investments / Cash Deposits:		Restated
Bank Account	385 106	271 960
Interest earned- Investments	19 743 686	16 097 525
Interest earned- Land Sales	86 278	1 342
	20 215 070	16 370 827
Outstanding Debtors:		
Rates	468 790	462 180
Long-term Receivables	2 305	3 360
Consumer Debtors	1 167 352	1 130 962
Other Debtors	110 239	101 793
	1 748 686	1 698 295
Total Interest Earned	21 963 756	18 069 122
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		Restated
Loans and Receivables	21 963 756	18 069 122
	21 963 756	18 069 122

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R Restated
33. OTHER REVENUE FROM EXCHANGE TRANSACTIONS		
Administration Costs	55 661	73 231
Admission Fees: Malmesbury	157 446	116 849
Admission Fees: Moorreesburg	57 906	-
Advertisement: Newspapers	259 030	236 194
Application: Service Connections	253 078	232 500
Blockages: Sewerage	299 481	325 345
Bulk Waste Dumping	696 720	640 248
Capital Contributions	885 949	897 342
Cemetery Fees: Darling	77 825	94 720
Cemetery Fees: Malmesbury	171 895	131 781
Cemetery Fees: Moorreesburg	161 720	172 983
Clearance Certificates	176 098	120 054
Commission: Collections	61 987	57 845
Consent use	83 117	816 877
Day Visitors	56 680	57 948
Deviation of Building Regulation	92 483	72 623
Discount: Fuel	76 711	91 459
Efficiency Development	302 781	224 902
Excess Payment: Insurance Claims	216 000	422 637
Equipment: Insurance	116 421	-
Film Shooting	165 215	166 431
Gain on vesting of Properties	2 134 501	6 649 497
Industrial Sewerage	4 806 278	5 495 231
New Connections	2 585 164	2 223 003
Occupation Certificates	263 195	246 877
Photostats	127 487	114 159
Plan fees: Buildings	3 267 935	1 763 803
Plan Fees: Unauthorized Building	-	56 818
Rates: Lessees	134 893	144 062
Refuse Bins	56 449	-
Refuse Coupons: Darling	58 247	-
Refuse Coupons: Malmesbury	309 269	227 504
Refuse Coupons: Moorreesburg	115 720	156 887
Rezoning	86 675	65 785
Selling: Bulk Water	72 610	-
Selling: Purified Sewerage Water	1 331 894	1 012 459
Special Waste Dumping	590 244	437 421
Streets Entrances and Pavements	85 354	-
Subdivisions	53 745	63 852
Sundries	-	52 395
Valuation Certificates	121 780	107 124
Traffic Support Services	50 778	59 990
Housing Scheme/Private Organisations Loan Instalments	165 780	189 146
Other (less than R 50 000)	615 609	699 221
Total Other Income	21 457 811	24 717 203
The amounts disclosed above for Other Income are in respect of services rendered, other than described in Notes 3 and 4, which are billed to or paid for by the users according to approved tariffs.		
34. EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	90 896 633	81 467 837
Employee related costs - Contributions for UIF, pensions and medical aids	25 266 287	22 473 625
Travel, motor car, accommodation, subsistence and other allowances	13 346 343	11 448 940
Housing benefits and allowances	645 301	444 738
Overtime payments	5 669 715	4 830 035
Bonuses: 13th Cheque	7 286 836	6 435 307
Contribution to Leave Gratuity	1 370 828	1 016 087
Contribution to provision for post- retirement medical aid benefits:	10 536 869	6 192 176
<i>Current service cost</i>	2 560 999	2 008 000
<i>Interest cost</i>	4 374 465	4 041 000
<i>Actuarial (gains)/losses</i>	3 601 405	143 176
Contribution to long-service provision	1 108 582	921 766
Total Employee Related Costs	156 127 394	135 230 511

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
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34. EMPLOYEE RELATED COSTS (continued)**Remuneration of Section 57 Employees:*****Remuneration of the Municipal Manager***

Annual Remuneration	1 232 069	1 160 144
Car Allowance	221 175	195 336
Cell Phone Allowance	13 183	13 200
Leave Pay	52 734	52 878
Other	2 049	2 192
Contributions to UIF, Medical and Pension Funds, etc.	271 339	253 654
Total	1 792 549	1 677 404

Remuneration of the Chief Finance Officer

Annual Remuneration	714 431	797 360
Car Allowance	55 028	148 361
Cell Phone Allowance	12 768	13 200
Leave Pay	23 679	37 250
Other	946	2 478
Contributions to UIF, Medical and Pension Funds, etc.	190 120	185 302
Total	996 972	1 183 951

Remuneration of Individual Executive Directors**30 June 2016**

	Corporate Services	Civil Engineering Services	Electrical Engineering Services	Development Services	Protection Services
	R	R	R	R	R
Annual Remuneration	777 865	817 037	772 740	789 120	757 058
Car Allowance	72 643	85 996	163 291	143 672	181 062
Cell Phone Allowance	7 768	12 521	9 462	10 238	13 126
Leave Pay	-	-	34 195	-	37 012
Other	-	-	500	137	327
Contributions to UIF, Medical and Pension Funds, etc.	192 555	201 258	209 508	205 854	208 726
Total	1 050 831	1 116 812	1 189 696	1 149 021	1 197 311

30 June 2015

	Corporate Services	Civil Engineering Services	Electrical Engineering Services	Development Services	Protection Services
	R	R	R	R	R
Annual Remuneration	719 411	755 897	726 441	725 887	695 741
Car Allowance	68 804	87 176	142 791	138 940	178 272
Cell Phone Allowance	6 716	11 752	10 031	10 999	12 804
Long-service award	62 428	-	-	-	51 805
Leave Pay	-	33 607	34 320	-	34 537
Other	-	261	692	60	537
Contributions to UIF, Medical and Pension Funds, etc.	182 576	186 639	196 595	192 230	190 951
Total	1 039 935	1 075 332	1 110 870	1 068 116	1 164 647

The following accrued to key management personnel in terms of GRAP 25 as at 30 June:

Post Retirement Medical Aid Benefit Liability:

Municipal Manager	378 091	263 273
Chief Financial Officer	-	352 933
Executive Director: Corporate Services	209 884	175 945
Executive Director: Civil Engineering Services	542 586	501 815
Executive Director: Electrical Engineering Services	844 962	532 206
Executive Director: Development Services	542 586	499 640
Executive Director: Protection Services	433 780	343 309
Total	2 951 889	2 669 121

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
34. EMPLOYEE RELATED COSTS (continued)		
<i>Long Service Awards Liability</i>		
Municipal Manager	206 107	99 316
Chief Financial Officer	-	68 874
Executive Director: Corporate Services	174 938	138 753
Executive Director: Electrical Engineering Services	68 864	36 415
Executive Director: Protection Services	58 070	36 534
Total	507 979	379 892
<i>Staff leave</i>		
Municipal Manager	230 850	213 572
Chief Financial Officer	-	12 864
Executive Director: Corporate Services	234 285	190 033
Executive Director: Civil Engineering Services	113 439	102 500
Executive Director: Electrical Engineering Services	369 352	288 948
Executive Director: Development Services	396 763	297 523
Executive Director: Protection Services	78 420	77 307
Total	1 423 109	1 182 747

No advances were made to employees.

35. REMUNERATION OF COUNCILLORS

Executive Mayor	503 367	477 536
Deputy Executive Mayor	410 639	389 477
Speaker	352 791	335 518
Mayoral Committee Members	1 459 159	1 467 774
Councillors	2 432 257	2 436 111
Councillors' - pension contribution	773 607	766 345
Councillors' - medical aid contribution	290 023	255 186
Councillors' - travelling allowances	1 942 122	1 568 171
Councillors' - telephone allowances	479 964	477 552
Total Councillors' - Remuneration	8 643 929	8 173 670

In-kind Benefits

The Councillors occupying the positions of Executive Mayor, Deputy Executive Mayor, Speaker and Executive Mayoral Committee Members of the Municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the Municipality in order to enable them to perform their official duties.

36. DEPRECIATION, IMPAIRMENT AND AMORTISATION

Depreciation: Property, Plant and Equipment (Refer note 8)	72 458 783	73 177 712
Amortisation: Intangible Assets (Refer note 10)	734 600	555 725
Depreciation: Investment Property (Refer note 9.)	24 792	24 724
Impairment: Property, Plant and Equipment (Refer note 8)	542 683	66 245
Total: Depreciation , Impairment and Amortisation	73 760 858	73 824 406

37. FINANCE COST

Long-term liabilities	14 271 643	14 616 483
Finance Leases	211 868	151 099
Total Interest on External Borrowings	14 483 511	14 767 582

38. REPAIRS AND MAINTENANCE

Included in repairs and maintenance is the following:-

Air conditioners	32 553	52 172
Buildings	2 232 157	1 538 508
Caravan Park	35 799	29 798
Cemeteries	35 008	65 333
Christmas Lighting	14 466	28 303
Cleaning Pump stations	169 130	182 510

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
38. REPAIRS AND MAINTENANCE (continued)		
Cleaning Rivers	74 818	48 935
Commonage	550	1 581
Council Houses	143 034	178 858
Cutting Grass: PPC House Owners	35 000	30 500
Dewatering Plant	56 179	94 866
Drainage	134 988	136 139
Dumping site	3 548 830	3 261 498
Electrical Equipment - Sewerage	177 619	156 224
Fencing	137 401	125 759
Fire Extinguishers	11 440	27 920
Fire Hydrants	3 610	4 612
Furniture and Office Equipment	141 769	112 912
Housing Schemes Houses	46 624	77 830
Levelling of Dumping Grounds	596 997	243 420
Machinery and Equipment	717 565	825 019
Main Line Water	369 619	300 204
Main Sewerage	519 256	39 095
N7 Contribution	1 929 825	-
N7 Upgrading: Darling Bokomo Road	7 719 298	-
Network Electricity	512 835	602 159
Network Maintenance	17 589	38 257
Paardeberg Dam	18 000	1 485
Painting of Streets	266 661	226 861
Parks and Gardens	72 230	96 564
Patch work	704 063	703 610
Pavements	335 357	399 494
Replacement: Electricity Meters	64 041	60 721
Pumps	737 846	727 684
Purification Works	1 020 435	592 836
Radio Network	3 694	31 425
Replacement of Water Meters	193 988	226 405
Radios	13 363	20 207
River Road Buildings: Malmesbury	37 308	38 598
Moorreesburg: Main Road	1 356 342	-
Restructuring of Offices	-	54 316
Service: Equipment	99 115	107 871
Sport Grounds	209 450	297 554
Street Lights and Poles	226 109	370 914
Street Maintenance	1 432 717	2 488 019
Swimming Pool	42 798	45 995
Swimming Pool: Darling	-	625 634
Telemetry	123 520	99 153
Telephone System: Support	133 964	129 026
Toxin	289 732	549 912
Traffic Lights	15 367	14 220
Tyres	765 936	629 489
Vehicles	2 715 991	2 863 319
Aerators	1 075	36 537
Total: Repairs and Maintenance	30 293 061	19 640 261

39. BULK PURCHASES

Electricity	162 514 284	138 042 464
Water	25 318 107	24 929 091
Total Bulk Purchases	187 832 391	162 971 555

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst water is purchased from the West Coast District Municipality.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016	2015
	R	R
40. CONTRACTED SERVICES		
Cleaning Public Open Spaces	699 161	674 624
Cleaning Services-Offices	112 745	105 906
Highlands Refuse Dump: Recycling	168 000	164 959
Printing of Accounts	159 189	197 627
Refuse Removal: RCK	377 842	361 820
Sweeping of Streets	2 144 524	2 049 228
Total: Contracted Services	3 661 461	3 554 164
41. GRANTS AND SUBSIDIES PAID		
<i>Non-profit institution</i>		
SPCA	168 540	168 540
National Sea Rescue Institute	30 000	30 000
Yzerfontein Conservancy	65 000	50 000
<i>Museums</i>		
Malmesbury	45 320	45 320
Darling	45 320	45 320
Oude Kerk	45 320	45 320
Wheat Industry	45 320	45 320
<i>Tourism</i>		
Swartland and Coastal Area	696 960	633 600
<i>Social Upliftment</i>		
Huis van Heerde	25 000	25 000
Elkana Childcare	45 000	45 000
Multi Purpose Centre: Illinge Lethu	-	40 366
Multi Purpose Centre: Kalbaskraal	19 961	23 661
Multi Purpose Centre: Moorreesburg	40 000	40 000
Night Shelter	25 000	25 000
Old Age Homes	676 393	676 393
Jo Dolphin	20 000	20 000
ECD Centres	40 000	40 000
Total Grants and Subsidies	2 033 134	1 998 840

Due to the need in the Swartland Municipal area for expert services and resources to support effective domestic animal management initiatives and controls, for which the Municipality do not have the resources, it is deemed necessary, from a perspective of serving the community, for the Municipality to contribute financially towards the operational costs of the **SPCA**.

The National Sea Recue Institute (NSRI) is a non-profit organisation dedicated to the preservation of all persons at sea. Their members provide their services on a voluntary basis and the organisation is dependent on donations and sponsorship from the public. The NSRI operates a base from Yzerfontein providing a rescue service to the commercial and recreational fishing boats as well as bathers in the vicinity. Financial assistance by the Municipality is intended to enable the organisation to fund some of its operations as the Municipality cannot offer this essential service.

The Yzerfontein Urban Conservancy came into being to preserve and promote, on a voluntary basis, the conservation of the environment and heritage in, specifically, the sensitive coastal region within the boundaries of the Yzerfontein Local Nature Reserve. Financial assistance by the Municipality is intended to enable the Organisation to fund its programmes.

Museums generally do not generate sufficient income from own resources, and are therefore dependant on financial aid from the public and organisations to meet their financial needs and obligations. The Municipality, consequently regards it appropriate to contribute financially to this end.

Aware of the importance of the promotion of tourism in the area falling under the Municipality, the Council deems it their duty and privilege to assist financially towards the needs of the various **tourism bureau's** serving the area.

The aim of **these organisations** entails the social upliftment of the poor and disadvantaged section of the community. Financial aid by the Municipality to these organisations, as well as assistance in counselling and advisory services, is intended to enable them to fulfil the said aim.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

42. GENERAL EXPENSES	2016 R	2015 R
Included in general expenses is the following:-		Restated
Activity Recreation Nodes (Trees)	368 380	-
Administration Costs: Vehicles	87 353	93 827
Advertisements	986 744	728 817
Asset Management Register	212 695	-
Audit Committee Attendance	70 160	-
Audit Costs	2 065 455	2 039 901
Audit: Dumping Site	209 777	403 562
Bank costs	519 962	476 356
Bank costs Debit/Credit Cards	83 939	-
Bergriver Canoe Marathon: Donation	-	53 476
By-laws: Review	-	197 250
Capacity Building: Budgets	68 946	116 800
Cell phone Costs	-	-
Chemicals	1 062 091	790 451
Cleaning	91 435	96 264
Client Electronic Communication	-	75 022
Commission	1 403 897	1 238 798
Connection Fees	1 681 664	1 245 065
Consumables	598 282	562 163
Delegations/Congresses	82 072	88 449
Disposable Refuse Bags	379 215	82 752
Efficiency Development	1 254 887	1 133 667
EIA: Extension Balinka Street	-	104 250
Electricity: Eskom	893 059	698 105
Evaluation of Posts	-	365 052
Environmental Legislation	224 965	188 787
Excess Payment: Perk Scheme	100 276	89 397
External Affairs	-	93 956
Forex Loss	495 557	87 476
Fuel and Oil	5 825 169	6 199 308
Housing Abbotsdale	-	9 506 950
Housing Phola Park	18 294 351	-
Operating Lease Expenditure	204 501	196 619
Hire: Equipment	233 046	-
Implementation of Spluma/Lup	66 638	-
Insurance	1 135 895	931 419
Insurance: Excess payments	126 401	158 484
Internet Connectivity and Access	159 066	159 066
Inventory: Tools and Equipment	144 238	126 369
LED Projects: Red Door	227 018	57 658
Legal Fees	628 063	447 509
Levy: Industrial Council	57 731	55 066
Licenses: Computer Systems	1 276 710	1 005 901
Licenses: Vehicles	492 849	439 692
Load Management	89 650	87 186
Magistrate Fees	-	235 500
Masterplanning: Services	693 266	730 437
Membership Fees: Council	1 672 453	1 320 251
Municipal Systems Improvement Grant	617 733	857 215
Newsletters	54 732	52 199
Occupational Rent: Chatsworth	454 105	423 842
Planning: Diepriver Bridge	1 000 000	-
Planning: Diepriver Bridge	247 938	-
Planning: Traffic Investigations	-	224 000
Paperwork: Integrated Waste Management Plan	398 071	-
Postage	895 092	819 537
Printing and Stationery	824 460	740 684
Private Work	61 404	-
Projects	330 698	346 223
Projects: Ward Committees	379 408	301 002
Protective Clothing	883 178	901 683
Protective Clothing: Contract Workers	116 887	119 833
Refreshments: Offices	159 553	169 159

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
42. GENERAL EXPENSES (continued)		
Refuse Bins	50 261	-
Rent Offices : Pep Building	497 488	497 493
Rent Offices : Sanlam Building	233 896	210 755
Rent Offices : Santam Building	169 374	169 374
ROR	99 750	106 000
Security Services	1 023 865	913 230
Security Services: Chatsworth	-	561 980
Software	83 687	-
<i>Sundries</i>	54 906	
The Building Resilience Handbook	2 412	-
Framing of Portrait	2 257	-
Annual Report Tool improvements	3 953	-
Installation cost: Outlet point - Quickshop	753	-
Lunch for 9 Employees at Windtown SA Ltd	2 368	-
Phola Park: Numbering of Houses	1 990	-
Calculation of Market Value Remuneration for Municipal Manager and Directors	11 173	10 581
Bond cancellation Fees: Low Cost Housing	-	32 076
Ignite: Compliance Upgrade	-	30 000
Compilation of LED Policy	-	37 368
Program Development: R- Data	-	100 527
Lunches: MFMA	-	13 044
Other	-	1 140
Support: Financial System	498 945	391 960
Support: Electronic Document Management	567 600	528 000
Survey Costs	284 528	367 284
Taxi: Transport Workers	138 050	124 490
Telecommunications	596 816	861 607
Testing Sewerage	367 797	370 711
Town Planning	521 044	422 670
Traffic Fines: Belstow	-	67 608
Traffic Fines: Syntell	1 251 405	1 552 547
Traffic Signs	68 959	60 523
Trade Union Representative	64 841	-
Training: Efficiency Development	1 035 417	1 150 421
Travelling Costs	334 385	314 822
Valuations	1 451 673	1 358 563
Valuations - Insurance	86 970	-
Valuations - Supplementary	330 799	289 326
Youth Camp (Africa Union)	414 100	373 072
Water Analysis	104 930	94 189
Other	1 361 764	1 218 368
Other Grants		
Disaster Management	348 752	802 292
Financial Management Support Grant	92 540	431 114
Planning: Municipal Flats	1 012 353	400 000
Total General Expenses	63 862 916	51 525 570

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and is not directly attributable to a specific service or class of expense.

43. CASH GENERATED BY OPERATIONS

		Restated
Surplus/(Deficit) for the year	57 408 942	19 201 552
<i>Adjustment for:</i>		
Depreciation and Amortisation	73 218 175	73 758 162
Impairment	542 683	66 244
Gain on disposal of property, plant and equipment	(419 152)	(1 341 042)
Loss on disposal of property, plant and equipment	4 271 106	28 473 972
Donated property, plant and equipment	(22 580)	-
Other non-cash items	(2 250 922)	(6 595 719)
Increase/(Decrease) in provisions	9 786 713	4 171 708
Increase/(decrease) in consumer deposits	662 092	751 366

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016	2015
	R	R
43. CASH GENERATED BY OPERATIONS (continued)		
Investment income	(20 215 070)	(16 370 827)
Interest paid	14 483 511	14 767 582
Operating surplus before working capital changes:	137 465 498	116 882 998
(Increase)/decrease in inventories	(719 325)	485 914
(Increase)/decrease in exchange transactions	(3 711 058)	(4 393 807)
(Increase)/decrease in non- exchange transactions	4 277 469	(13 602 136)
(Decrease)/increase in unspent conditional grants and receipts	306 294	3 375 076
Increase/(Decrease) in net operating leases	48 698	73 872
Increase/(decrease) in Payables from Exchange transactions	2 582 235	18 080 938
Increase/(Decrease) in VAT	(1 178 158)	(1 120 558)
Cash generated by/(utilised in) operations	139 071 653	119 782 297

44. NON-CASH INVESTING AND FINANCING TRANSACTIONS

The Municipality was engaged in exchange transactions of non- monetary assets during the year. Various municipal properties were exchanged for similar assets acquired from the registered owners.

45. FINANCING FACILITIES

Unsecured Bank Overdraft Facility, reviewed annually and payable at call:

- Amount unused

1 000 000 1 000 000

46. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term liabilities (see Note 16)	134 608 849	139 321 343
Used to finance property, plant and equipment - at cost	(134 608 849)	(139 321 343)
Sub- total	-	-
Cash set aside for the repayment of long-term liabilities	5 576 066	4 933 979
Cash invested for repayment of long-term liabilities	5 576 066	4 933 979

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that the upcoming annual payment for long-term liabilities can be made.

47. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**47. 1 Unauthorised expenditure**

Opening Balance	20 967 339	22 913 341
Unauthorised capital expenditure in the current year	-	75 190
Unauthorised operating expenditure in the current year	-	20 892 149
	20 967 339	43 880 680
Less: Approved/Condoned by Council	(20 967 339)	(22 913 341)
Unauthorised expenditure awaiting authorisation	-	20 967 339

To the best of knowledge no unauthorised expenditure was incurred during the year under review.

47. 2 Fruitless and wasteful expenditure

Opening Balance	2 003	17 000
Fruitless and wasteful operating expenditure in the current year	9 370	3 473
	11 373	20 473
Less: Approved/Condoned by Council	(9 370)	(18 070)
Less: Recovered	(2 003)	(400)
Fruitless and wasteful expenditure awaiting authorisation/to be recovered	-	2 003

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****47. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (continued)****47. 2 Fruitless and wasteful expenditure (continued)**

The legal costs paid for the action taken against a debtor for not paying an outstanding amount on his/her municipal account is regarded as fruitless and wasteful expenditure and would have been avoided had reasonable care been exercised. Although the service was provided by the legal firm, the municipality received no value and suffered a loss as the account holder did pay his/ her account. The official supplied an incorrect reference number for the settlement of the account and the amount could not be allocated to the correct account. It was recommended that the claim against the Credit Control Officer of R369.93 is written off. No disciplinary were taken.

The excess payment with regards to the insurance claim for the repair of the photocopier is regarded as fruitless and wasteful expenditure as the municipality received no value and suffered a loss. Reasonable care has not been taken to prevent the machine from being damaged. However, insufficient evidence exists to determine who was responsible. It was recommended that the claim against the Librarian Assistant for the excess payment of R 1 500 should be written off due to a lack of evidence that the damage to the machine was intentionally or negligently caused by the staff member. No disciplinary steps was taken.

The excess payable to the insurance company for the repair of the vehicle should be regarded as fruitless and wasteful expenditure as the municipality received no value and suffered a loss. According to the driver of the vehicle, reasonable care was taken to prevent the accident. It was recommended that the claim against the Senior Supervisor/ Truck Driver for the excess payment of R7 500 is written off as no evidence could be found that the official was negligent, reckless or not obeying traffic rules. The satisfactory accident track record of the driver was also considered in concluding the recommendation.

	2016	2015
	R	R
		Restated
Opening Balance	1 121 788	-
Irregular capital expenditure in the current year	6 740	-
Irregular operating expenditure in the current year	616 138	1 121 788
	1 744 666	1 121 788
Less: Approved/Condoned by Council	(1 320 100)	-
Irregular expenditure awaiting authorisation/to be recovered	424 566	1 121 788

Services were procured in terms of Swartland Municipality's Supply Chain Management Policy, which is in contravention with the Supply Chain Management Regulations as it excludes the acquisition of certain services from following the supply chain processes. In these instances services above R2 000 were acquired by only obtaining one quotation instead of three.

An official resigned after admitting theft of material and assets. The case was reported to the SAPS Malmesbury Case 52/1/2016 for investigation. Swartland Municipality's Attorney issued a summons through the High Court, Cape Town, against the official and a notice to defend has been received back. The official's Pension funds are withheld pending the court outcome.

A responsible official certified an invoice indicating that a consignment of cement was delivered in full which was paid accordingly. However, during the new financial year it was discovered that all the bags of cement were not received and agreed with the supplier that it will be collected by the municipality as and when required. The official was informed of the irregularity and a credit note for the difference was obtain from the supplier.

Services were rendered from Standing Rock Rehabilitation Centre for the rehabilitation of two officials. The officials were already committed to the rehabilitation centre when it was discovered that one of the Directors of the company is an employee of Stellenbosch Municipality and therefore a related party according to article 44 of the MFMA (SCM regulations). The Director issued a letter to the responsible official to inform her of the irregularity and not to make use of suppliers that have not been placed on the approved suppliers' database.

48. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**48. 1 Contributions to organized local government**

Opening balance	-	-
Council subscriptions (Disputed amounts included)	1 877 002	1 412 762
Amount paid - current year	(1 733 570)	(1 412 762)
Amount paid - previous years	(143 432)	-
Balance unpaid (included in creditors)	-	-

48. 2 Audit fees

Opening balance	-	-
Current year audit fee	-	-
Amount paid - current year	2 354 619	2 325 487
Amount written back - previous years	(2 354 619)	(2 325 487)
Balance unpaid (included in creditors)	-	-

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****2016
R****2015
R****48. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)****48.3 VAT**

VAT input receivables and VAT output payables are shown in note 6. All VAT returns have been submitted by the due date throughout the year.

48.4 PAYE, UIF and SDL

Opening balance	-	-
Current year payroll deductions	20 808 442	17 693 086
Amount paid - current year	(20 808 442)	(17 693 086)
Amount paid - previous years	-	-

Balance unpaid (included in creditors)

-	-
---	---

48.5 Pension and Medical Aid Deductions

Opening balance	-	-
Current year payroll deductions and Council Contributions	36 871 961	32 676 038
Amount paid - current year	(36 871 961)	(32 676 038)
Amount paid - previous years	-	-

Balance unpaid (included in creditors)

-	-
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48.6 Councillor's arrear consumer accounts

During the financial year under review no Councillor was in arrear with the settlement of their municipal accounts.

48.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The incidents as listed below have been condoned.

Incident	Reasons submitted for non-compliance	Amount (excluding VAT)
Appointment of <i>GW Trautman</i> for the repair of the settling tank (besinkbak) at the Sewerage Works Item 7.21 of minutes of the Executive Mayoral committee held on 16 March 2016.	The Sewerage Works in Malmesbury mainly uses the new membrane technology in its purification process. Two settling tanks form an important part in the wastewater treatment process for the separation of sludge and water. It aims to complement the sewerage plant's purification holding capacities in times of peak flow and has a direct impact on the quality of effluent leaving the sewerage plant. The quality of effluent are prescribed by law and municipalities have to comply with these standards. Due to an emergency GW Trauman was appointed to repair the settling tank as it is essential for the purification process and in order to prevent possible further structural damage to other parts of the sewerage works. Therefore an informal tender process could not be followed.	R 96 400
General	Although the SCM processes were followed, three quotations could not be obtained for 588 cases to the value of R 4 922 270.49.	R 4 922 270
Appointment of JH Retief Transport for the relocation costs of Mr HJ Strydom from Randfontein to Malmesbury. Item 7.14 of minutes of the Executive Mayoral committee held on 9 September 2015.	A Process Controller has been appointed at the Sewerage Plant and the municipality bears his relocation costs from Randfontein to Malmesbury. Mr Strydom submitted three quotations of which the cheapest was R58 634.76. Initially, he indicated that he would relocate at the end of August 2015. However, prior to the tender process, Mr Strydom indicated that he wanted to move at the end of July 2015. Due to the urgency to provide the service on such short notice and the fact that the municipality could acquire a cheaper quotation amounting to a saving of almost R9 000.00, it is impractical to follow the prescribe supply chain procedures. Therefore approval was given by the Municipal Manager to appoint JH Retief Transport as the service provider.	R 43 772

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****48. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)****2016**
R**2015**
R**48. 7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act (continued)**

Incident	Reasons submitted for non-compliance	Amount (excluding VAT)
Appointment of Westland Civils for the building of a traffic island, parking areas and pavements on the corner of Voortrekker Road and St. Thomas Street, Malmesbury. Item 7.12 of minutes of the Executive Mayoral Committee held on 9 December 2015.	Certain changes had to be done at the crossing of Voortrekker Road and St Thomas Street with the development of the adjacent and commissioning of KFC and the business centre. The Department of Transportation and Public Works (PAWC) approved the plans and made an estimate of R70 000.00 that Prime Leasing Pty LTD had to contribute for the changes in order to obtain an occupancy certificate. The amount of R70 000.00 was paid during the financial year 2012/13 which has since not been used. West Coast College was informed regarding certain conditions with the construction of their new development. Changes in Voortrekker Road, from Bokomo Road to St Thomas Street were required. West Coast College appointed SKCM Consulting Engineers for the planning and call for tenders to do the work. Due to practical and financial reasons, the work for which Prime Leasing made a contribution was included in this planning and tender documentation. The tender was awarded to Westland Civils and the work was successfully completed which included the work for which Prime Leasing made a contribution in 2012/13. The Municipality deviated from the normal supply chain procedures for the payment of R70 000.00 to Westland Civils for work they have done on behalf of Prima Leasing at the corner of Voortrekker Road and St Thomas Street. This is regarded as an exceptional case due to the work that had to be done by Prime Leasing is small compared to the total project, but fits in with the larger overall project. It would therefore be impractical and financially detrimental to find another contractor to work on the same site as Westland Civils performing the same type of work	R 70 000
Appointment of AL Abbott and Associates for the monitoring and analysing of drinking water samples according to the instructions in SANS 241:2015. Item 7.14 of minutes of the Executive Mayoral committee held on 8 June 2016.	One of the requirements for an effective water service is to provide safe drinking water fit for human consumption. In order to do this, it is expected of the municipality to regularly monitor water from its network and to analyse/measure the chemical and biological determinants of water quality. The South African National Accreditation System (SANAS) evaluates, accredits and regulate appropriate accredited laboratories. AL Abbott is currently the only accredited laboratory of its kind in the Western Cape and thus the only provider of this service in the area. Therefore the prescribed procurement procedures were not followed.	R92 627
Appointment of Tuboseal Service cc for the repair of the sewerage pipeline in the Malmesbury industrial area. Item 7.12 of minutes of the Executive Mayoral committee held on 10 February 2016.	An inspection was requested from a specialist firm in order to determine the extent of the damage in Tegno Street after sinkholes originated above the sewerage pipeline. The inspection revealed that the bottom of the pipe was completely eroded apparently damaged by the dumping of chemicals. Several technical solutions were considered and it was decided to restore the pipe by installing a new liner in the existing pipe. The repair of the pipeline has been treated as an emergency to prevent the exposure of dangerous conditions of sinkholes and environmental pollution to the public. Therefore Tuboseal Service cc was appointed without following the normal supply chain management process.	R 471 800
Appointment of Rapport for advertising of the vacant position of the Chief Financial Officer. Item 7.20 of minutes of the Executive Mayoral committee held on 24 August 2016.	The position of Chief Financial Officer became vacant on 31 March 2016. According to the Government Gazette no. 37245 published on 17 January 2014, a vacant Senior Manager's position had to be advertised in a newspaper circulating nationally as well as in the province where the municipality is located. The quotation obtained from Rapport amounted to R52 859.52. However, placement in this newspaper also has the advantage that the advertisement is published in two national newspapers at no extra costs. It will therefore appear in Afrikaans in Rapport as well as in English in City Press nationally. The prescribed procurement procedures were not followed as Rapport is the only newspaper that offers such a service whereby the advertisement is placed in two national newspapers.	R 46 368

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)****48. 7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act (continued)**

Incident	Reasons submitted for non-compliance	Amount (excluding VAT)
Appointment of VE Reticulation Company for the installation of street lights during 2015/16. Item 7.20 of minutes of the Executive Mayoral committee held on 8 June 2016.	On 30 March 2016, the Department of Energy awarded funds to Swartland Municipality for use before 30 June 2016 on projects to improve energy efficiency in consumption of electricity by the municipality. It would be impossible to complete the project within three months taking into account the extensive investigations and approval processes required by the Department of Energy as well as the formal procurement process and the production period of the streetlights of 4 - 6 weeks. The only possible and feasible method was to use the existing year tenders, however for 2015/16 we did not receive any tenders for the installation of street lights. Due to the limited time available to complete the project before 30 June 2016, a decision was made to not reject the offer by the Department of Energy and regard the case as exceptional where it is impractical to follow the official procurement process. Consequently, the contractor that has been appointed through a formal tender process for the provision of similar work during 2016/17, was approached for a separate quotation for the specific scope of work. Although the deviation is based on the consideration of only one quote, the price was determined by means of a competitive bidding process. The contractor, VE Reticulation Company was appointed. Similar work that they performed in 2014/15 was of the highest quality and completed within the contract period.	R 294 737

48. 8 Material losses: Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA

Material Electricity and Water Losses were as follows and are not recoverable:

	2016	2015
Electricity distribution losses		
Units purchased (kWh)	190 103 565	185 534 708
Units sold (kWh)	178 466 815	174 944 975
Units lost during distribution (kWh)	11 636 750	10 589 733
Percentage lost during distribution	6.12	5.71

Electricity Losses occur due to inter alia, technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections). The problem with tampered meters and illegal connections is an ongoing occurrence, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

Water distribution losses

Kilolitres purchased	5 483 969	5 914 895
Kilolitres sold	4 425 940	4 988 081
Kilolitres lost during distribution	1 058 029	926 814
Percentage lost during distribution	19.29	15.67

Water Losses occur due to inter alia evaporation, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing occurrence, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

49. CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

- Approved and contracted for

Infrastructure

Other

	2016 R	2015 R
	11 805 281	24 661 614
Infrastructure	5 492 615	24 470 000
Other	6 312 666	191 614

Finance Lease Liabilities and Non-cancellable Operating Lease Commitments are disclosed in Notes 7 and 13.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

		2016 R	2015 R
50. FINANCIAL INSTRUMENTS			
50.1 Classification			
Financial Assets			
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:			
Long-term Receivables			Restated
Loans to Public Organisations	Financial assets at amortised cost	179 336	197 520
Finance Lease Receivables			
Housing Selling Scheme Loans	Financial assets at amortised cost	10 263	13 787
Trade and other receivables from exchange transactions			
Electricity	Financial assets at amortised cost	31 098 780	27 696 809
Water	Financial assets at amortised cost	7 610 134	7 111 006
Sewerage	Financial assets at amortised cost	4 063 066	3 860 599
Refuse Removal	Financial assets at amortised cost	3 375 162	3 175 871
Housing Rentals	Financial assets at amortised cost	50 581	43 993
Other Debtors	Financial assets at amortised cost	1 742 249	2 340 636
Trade and other receivables from non-exchange transactions			
Rates	Financial assets at amortised cost	9 082 590	8 115 112
Insurance claims	Financial assets at amortised cost	112 091	16 109
Government grants and subsidies	Financial assets at amortised cost	-	8 222 358
Sundry debtors	Financial assets at amortised cost	15 758 108	12 935 167
Current Portion of Long-term Receivables			
Loans to Public Organisations		18 184	16 356
Current Portion of Finance Lease Receivables			
Housing Selling Scheme Loans	Financial assets at amortised cost	3 524	4 754
Bank Balances and Cash			
Short-term Investments	Financial assets at amortised cost	-	-
Bank Balances	Financial assets at amortised cost	299 118 808	245 530 166
Cash Floats and Advances	Financial assets at fair value	15 230	15 230
Total Financial Assets		372 238 106	319 295 473
Financial liabilities			
In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:			
Long-term Liabilities			
Annuity Loans	Financial liabilities at amortised cost	129 032 783	133 483 745
Capitalised Lease Liability	Financial liabilities at amortised cost	-	903 619
Consumer Deposits			
Electricity and Water	Financial liabilities at fair value	9 376 686	8 714 594
Creditors			
Trade payables	Financial liabilities at amortised cost	48 923 360	56 447 963
Retentions	Financial liabilities at amortised cost	4 861 030	3 097 945
Staff leave	Financial liabilities at amortised cost	8 000 610	7 367 238
Other creditors	Financial liabilities at amortised cost	12 367 755	4 665 690
Current Portion of Long-term Liabilities			
Annuity Loans	Financial liabilities at amortised cost	4 450 962	3 993 622
Capitalised Lease Liability	Financial liabilities at amortised cost	1 125 104	940 357
Total Financial Liabilities		218 138 290	219 614 773

Comparatives have been restated due to the correction of an error (refer to note 58).

50.2 Fair Value of Financial Instruments

Financial instruments at fair value are measured using valuation techniques based on observable inputs, i.e. as prices, or indirectly, i.e. derived from prices. (Level 2 of fair value hierarchy).

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****50. FINANCIAL INSTRUMENTS (continued)****R
2016****R
2015****50.3 Capital Risk Management**

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged since 2007.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 16, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Notes 2, 23 and 24 and the Statement of Changes in Net Assets.

Gearing Ratio

The gearing ratio at the year-end was as follows:

		Restated
Debt	134 608 849	139 321 343
Equity	1 894 145 094	1 836 736 152
Net debt to equity ratio	7.11 %	7.59 %

Debt is defined as Long- and Short-term Liabilities as detailed in Note 16.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Position.

50.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits, implement controls and monitor adherence.

Due to the large non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Directorate: Financial services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The entity does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports quarterly to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

50.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date. The municipality has exposure to the following risks from its operations in Financial Instruments: Market risk, credit risk and liquidity risk. Risks and exposures are disclosed as follows:

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities. Maximum exposure to credit risk is not covered by collateral is specified. Financial instruments covered by collateral are specified. Each class of financial instrument is disclosed separately.

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation. A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 51.7 to the annual financial statements.

50.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 51.7 below). No formal policy exists to hedge volatilities in the interest rate market.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****50. FINANCIAL INSTRUMENTS (continued)****50. 7 Interest Rate Risk Management**

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term debtors, consumer debtors, other debtors, and bank and cash balances.

The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates.

50. 8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 46 is a listing of additional overdraft facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The following tables detail the municipality's remaining contractual maturity for its non-derivative **financial liabilities**. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

30 June 2016

INSTRUMENTS	Average effective	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years	Total
INTEREST-BEARING		R	R	R	R	R	R
FIXED RATE							
Unsecured Bank Facilities		9 094 345	9 094 345	18 188 691	54 566 073	171 403 639	262 347 093
Development Bank	9.670 %	150 640	150 640	301 280	903 839	753 199	2 259 598
Development Bank	9.575 %	2 498 565	2 498 565	4 997 130	14 991 391	37 478 477	62 464 128
Development Bank	10.665 %	4 269 156	4 269 156	8 538 312	25 614 937	89 652 277	132 343 838
Sanlam	10.960 %	2 175 984	2 175 984	4 351 969	13 055 906	43 519 686	65 279 529
VARIABLE RATE							
Unsecured Bank Facilities		36 836	35 392	66 966	118 177	-	257 371
Development Bank	9.342 %	36 836	35 392	66 966	118 177	-	257 371
Total Interest-bearing		9 131 181	9 129 737	18 255 657	54 684 250	171 403 639	262 604 464
NON-INTEREST-BEARING							
Current liabilities							
Consumer deposits		9 376 686	-	-	-	-	9 376 686
Trade Payables		75 074 090	-	-	-	-	75 074 090
Capitalised Lease Liability		1 125 104	-	-	-	-	1 125 104
Total Non-Interest-bearing		85 575 880	-	-	-	-	85 575 880
TOTAL UNDISCOUNTED CASH		94 707 061	9 129 737	18 255 657	54 684 250	171 403 639	348 180 344

30 June 2015

INSTRUMENTS	Average effective	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years	Total
INTEREST-BEARING		R	R	R	R	R	R
FIXED RATE							
Unsecured Bank		9 094 345	9 094 345	18 188 691	54 566 072	189 592 329	280 535 782
Development Bank	9.670 %	150 640	150 640	301 280	903 839	1 054 479	2 560 878
Development Bank	9.575 %	2 498 565	2 498 565	4 997 130	14 991 391	42 475 607	67 461 258
Development Bank	10.665 %	4 269 156	4 269 156	8 538 312	25 614 936	98 190 589	140 882 149
Sanlam	10.960 %	2 175 984	2 175 984	4 351 969	13 055 906	47 871 654	69 631 497

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****50. FINANCIAL INSTRUMENTS (continued)****50. 8 Liquidity Risk Management (continued)****Liquidity and Interest Risk Tables (continued)****30 June 2015 (continued)**

INSTRUMENTS	Average effective	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years	Total
VARIABLE RATE							
Unsecured Bank Facilities		38 027	36 734	70 056	182 101	-	326 918
Development Bank	9.342 %	38 027	36 734	70 056	182 101		326 918
Total Interest-bearing		9 132 372	9 131 079	18 258 747	54 748 173	189 592 329	280 862 700
NON-INTEREST-BEARING							
Current liabilities							
Consumer deposits		8 714 594	-	-	-	-	8 714 594
Trade Payables		72 491 855	-	-	-	-	72 491 855
Capitalised Lease Liability		1 843 976	-	-	-	-	1 843 976
Total Non-Interest-bearing		83 050 425	-	-	-	-	83 050 425
TOTAL UNDISCOUNTED CASH		92 182 797	9 131 079	18 258 747	54 748 173	189 592 329	363 913 125

The municipality has access to financing facilities, the total unused amount which is R 1 000 000 at the reporting date. The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain its current debt to equity ratio. This will be achieved by means of the increasing in tariffs and the continuous utilisation of unsecured bank loan facilities.

50. 9 Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
50. FINANCIAL INSTRUMENTS (continued)		
50. 9 Credit Risk Management (continued)		
The maximum credit risk exposure in respect of the relevant financial instruments is as follows:		Restated
Long-term Receivables	197 520	213 876
Receivables from Exchange Transactions	51 470 645	48 042 228
Receivables from Non-Exchange Transactions	36 882 219	50 662 381
Finance lease receivables	13 787	18 541
Bank Guarantees	170 900	170 900
Bank and Cash Balances	299 134 038	245 545 396
Maximum Credit and Interest Risk Exposure	387 869 109	344 653 322

The credit quality of financial assets that are neither past due nor impaired is assessed by reference to historical information about counterparty default rates:

Trade and other receivables from exchange transactions		Restated
Group 1	38 404 420	32 233 268
Group 2	385 949	2 171 130
Group 3	603 842	1 440 687
Total: Trade and other receivables from exchange transactions	39 394 211	35 845 085
Long- Term Receivables		
Group 1	197 520	213 876
Total: Long- Term Receivables	197 520	213 876
Finance lease receivables		
Group 1	13 787	18 541
Total finance lease receivables	13 787	18 541
Trade and other receivables from non- exchange transactions		Restated
Group 1	8 178 385	16 790 994
Group 2	44 954	34 666
Group 3	61 214	42 526
Total: Trade and other receivables from non- exchange transactions	8 284 553	16 868 186
Bank balances		
ABSA Bank limited	299 134 038	245 545 396

Group 1 - High certainty of timely payment. Risk of non- payment is considered to be low as these receivables maintained a payment rate of more than 70 %.

Group 2 - Reasonable certainty of timely payment. The risk of non- payment is considered to be moderate as these receivables maintained a payment rate of 50 - 70 % during the year.

Group 3 - The risk factors of non- payment are larger as these receivables had a payment rate of below 50 % during the year.

51. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The personnel of the Swartland Municipality are members of the funds as set out below. These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below. The Local Authority Retirement Fund, The Consolidated Retirement Fund for Local Government, The National Municipal and Related Services Employee Retirement Fund and The National Fund for Municipal Workers are defined contribution plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

- The assets of each fund are held in one portfolio; these assets are not nationally allocated to each of the participating employers.
- One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- The rate of contributions is provided below under each fund.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality in respect of the defined contribution plans is to make the specified contributions.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****51. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION (continued)****LOCAL AUTHORITY RETIREMENT FUND**

The Local Authority Retirement Fund operates as a defined contribution scheme.

The defined contribution scheme is a multi-employer plan and the contribution rate payable is 9.00 % by the members and 18.00 % by Council. The last valuations performed for the year ended 30 June 2015 (30 June 2014) had a funding level of 100.00 % (2014: 100.00 %) in the defined contribution section and is in a sound financial position. The next actuarial valuation will be as at 30 June 2016.

CONSOLIDATED RETIREMENT FUND FOR LOCAL GOVERNMENT

The contribution rate paid by the members (9.00 % by employees, 7.50 % by section 57 employees and 12.00% by councillors) and by Council (18.00 % for employees, 19.50 % for section 57 employees and 15.00 % for councillors) is sufficient to fund the benefits accruing from the fund in future. The last valuation performed for the year ended 30 June 2015 (30 June 2014) revealed that the fund had a funding level of 100.00 % (99.90 %). Certified to be in a sound financial position as at 30 June 2015.

NATIONAL MUNICIPAL AND RELATED SERVICES EMPLOYEE RETIREMENT FUND

The contribution rate payable is 7.50 % by the members 18 % by Council. Actuarial valuation on this fund is performed every three years, and the last valuation performed for the year ended 30 June 2014 (30 June 2011) certified that the fund is in a sound financial state. The funding level was 111.70 % at valuating date (2011: 111.10 %).

NATIONAL FUND FOR MUNICIPAL WORKERS

The above mentioned fund is a Defined Contribution Fund and the contribution rate paid by the members is 9.00 % and 7.50% by section 57 employees and that of council 18.00 % and 19.50 % respectively. The latest statutory valuation was done on 30 June 2015 (30 June 2014). As at 30 June 2015 the results state that the funding level was 100.42% (2014:100.10 %).

Employers do not have any liability for any fund's performances or deficits.

None of the above mentioned plans are state plans.

52. RELATED PARTY TRANSACTIONS

During the year the municipality rendered services to the following parties that are related to the municipality as indicated:

52.1 Services rendered to related parties

	Rates	Service Charges	Other	Outstanding Balances
30 June 2016				
Councillors	51 898	277 679	63	25 490
Municipal Manager and Section 57 Personnel	45 023	169 679	129	7 538
Total	96 921	447 358	192	33 028
30 June 2015				
Councillors	50 308	271 647	5 909	29 996
Municipal Manager and Section 57 Personnel	42 472	172 446	(1 059)	18 278
Total	92 780	444 093	4 850	48 274

The rates, service and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses had been recognised in respect of amounts owed by related parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel (managers directly accountable to the Municipal Manager). No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Services rendered to key management personnel occurred within normal supplier and customer relationships on terms and conditions no more or less favourable than those which the municipality is reasonable to expect to have adopted if dealing with the individual persons in the same circumstances. These terms and conditions are within the normal operating parameters established by the municipality's legal mandate.

No councillor was in arrears for more than 90 days

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****52. RELATED PARTY TRANSACTIONS (continued)****52. 2 Related Party Loans**

Loans to Councillors and senior management employees are no longer permitted since 1 July 2004.

52. 3 Compensation of key management personnel

The compensation of key management personnel is set out in note 34.

52. 4 Other related party transactions

The Municipality entered into business transactions during the financial year under review with the service provider mentioned below. The said providers are considered to be related parties as they are in some way or other connected to the Municipality, either as councillor or family tie to employees of the Municipality. These transactions were duly concluded in compliance with the provisions of the Supply Chain Management Policy of the Municipality.

Service Provider	Value of Transaction R	Name of Relation in the Employment of the Organ of State	Organ of State	Position of the person in the employment of the Organ of State	Relation to Service Provider
Adenco Construction	55 724	Vuyokazi Machimana	Department of Health	Nurse	Mother
		Daniel Christian Cronje Jackson	Department of Education	Teacher	Daughter
Aurecon SA	4 261 688	B Esterhuizen	West Coast District Municipality	Senior Manager - Roads	Parent
		SP Herholdt	Limpopo Department of Economic Development Environment & Tourism	Investigation Services Manager	Brother
		C J Barry	City of Cape Town	Transport Department	Parent
		D Maduray	Development Bank Southern Africa	Project Preparation Specialist	Spouse
		N Ntsebeza	Buffalo City Metropolitan Municipality	Sanitation Engineering Manager	Spouse
		N Ntsebeza	Intsika Yethu Municipality	Building Inspector	Cousin
		N Ntsebeza	Intsika Yethu Municipality	Admin Clerk	Cousin
		N Ntsebeza	Eastern Cape Department of Health	Nurse	Parent
		AB Geldenhuys	Transnet Port Terminals	Mechatronic Engineer	Child
		A Salie	Sanral	Project Management Assistant	Sister
		CA Jacobs	Department of Education - Eastern Cape	Personal Assistant to Chief Director	Spouse
		SM Grobbelaar	Northern Cape Department of Cooperative Governance	Human Settlements and Traditional Affairs	Parent
		BJ Kriegler	Cape Winelands District Municipality & Breede Valley Municipality	Councillor	Parent
		M Vermeulen	City of Cape Town	Building Maintenance	Parent
		ET Marques	Department of Home Affairs	Deputy Director	Spouse
		JE Venter	Department of Health - Eastern Cape	Deputy Director - Employment Relations	Spouse
		FJ Heyns	Stellenbosch Municipality	Assistant Superintendent - Workshop Engineering	Parent

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****52. RELATED PARTY TRANSACTIONS (continued)****52. 4 Other related party transactions (continued)**

Service Provider	Value of Transaction R	Name of Relation in the Employment of the Organ of State	Organ of State	Position of the person in the employment of the Organ of State	Relation to Service Provider
		JG Robertson	Ekurhuleni Metropolitan Municipality	Roads Engineer	Parent
		KP Nadasen	National Department of Public Works	Director: Key Account Management	Wife
		LP O'Connell	Sol Plaatje Municipality	Librarian	Spouse
		N Govender	Umgeni Water	Fleet Maintenance Administrator - Asset Management	Child
		DL Erasmus	Cape Nature	Program Manager	Spouse
		RJ Ahlschlager	Special Investigating Unit	Legal Representative	Spouse
		M Botha	Oudtshoorn Municipality	Technical Manager	Parent
		ME Higgs	SARS	Regional Manager	Spouse
		VA Hougaard	Department of Correctional Services	Principle Network Controller	Spouse
		SH Kleynhans	Hessequa Municipality	Accountant	Parent
		M Mayekiso	Department of Local Government and Traditional Affairs	Assistant Director	Uncle
		DJ Moore	Department of Water Affairs	Chief Engineer	Parent
		S Pretorius	Sol Plaatje Municipality	Chief Officer - Community Services	Parent
		E Riekert	SA Reserve Bank	Engineering	Spouse
		I Gasant	City of Cape Town	Head of Security Architecture	Sister
		TJ Duvenhage	Nelson Mandela Bay Metropolitan	Senior Manager	Wife
		L Tebane	Ekurhuleni Metropolitan Municipality	Executive Manager	Parent
		PF Theron	Nelson Mandela Metropolitan University Business School	Head: Graduate School Relations	Spouse
		E Tredoux	Department of Water Affairs	Deputy Director - Accounts Payable	Spouse
		JL Du Plessis	Eskom	Executive at Transmission Department	Father in law
		WJP Wilkins	Correctional Services	Vice Director - Provincial	Parent
		I Wolmarans	IDC	Senior Accounts Manager	Spouse
J Lawrence	81 311	Jonathan Lawrence	Swartland Municipality	General worker	Son
Bubbles Household Chemicals	102 429	Vivianne Marree	City of Cape Town	Clerk	Daughter
Siphakame	206 659	Nondumisa Vacu	Drakenstein Municipality	General worker	Spouse
Doman Construction	25 700	Neville Doman	Swartland Municipality	General worker	Son
Merlin Gerin SA (Pty) Ltd t/a Conlog	121 802	Ms. Nurasha Moodley	Health Department of KZN	Commercial Director	Spouse
		Mrs. TN Gaxeni	Eskom	Customer Satisfaction and Quality Manager	Spouse
Euraf Agencies	172 396	Phillip Fourie	Department of Health	Assistant Director	Spouse
Roja Contractors	272 919	J Liedeman	Swartland Municipality	General Worker	Son

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****52. RELATED PARTY TRANSACTIONS (continued)****52. 4 Other related party transactions (continued)**

Service Provider	Value of Transaction R	Name of Relation in the Employment of the Organ of State	Organ of State	Position of the person in the employment of the Organ of State	Relation to Service Provider
Mubeko Africa	149 377	Hendri Niehaus	Department of Health - Northern Cape	Dietician	Spouse
Lumber & Lawn	30 214	Azer van Zyl	Western Cape Education Department	Teacher	Spouse
Hydrometrix Tegnologies cc	16 017	Ian De Beer	Department of Education	Occupational Therapist	Daughter
Therese's Hiring & Catering Services	3 200	Therese Lesch	Department of Education	Teacher	Husband
K Smit. T/A Blackbird Trading	225 300	K Smit	Swartland Municipality	Database Administrator	Spouse
WJ Cotter Elektries BK	288 973	R Crafford	Swartland Municipality	Mayor	Father in law
		WJ Cotter	Swartland Municipality	Mayor	Father in law
Mnr J. Poni	5 202	J Poni	Swartland Municipality	General Worker	Spouse
Golden Rewards 1873 t/a Futasia caterers	55 250	S de jager	Department of Education	Teacher	Spouse
Yolanda Petersen (Petersen Tuindienste)	24 820	Y Petersen	Department of Correctional Services	Warden DCS	Spouse
Elizma Goltz CC T/A Safetech	29 526	Elizma Goltz	City of Cape Town	Fireman	Spouse

53. CONTINGENT LIABILITY

	2016 R	2015 R
Guarantees in favour of Eskom	70 900	70 900
Guarantees in favour of South African Post Office Limited	100 000	100 000
	170 900	170 900

Bank guarantees provided to Eskom for the supply of electricity to the Municipality for distribution amongst consumers. The guarantees are covered to a large extent by cash deposits recovered from the individual consumers of electricity within the municipal area.

A bank guarantee has been obtained from ABSA Bank and issued to the SA Post Office which serves as security in respect of the payment for the monthly delivery of the municipal accounts.

The applicant, Mr Raymond Louis van Deventer has lodged a claim in the Labour Court for compensation to be paid by Swartland Municipality, based on alleged (1) unfair labour practice as a result of him not being appointed to the position of Regional Inspector: Law Enforcement, and (2) unfair discrimination because he was not shortlisted for the position of Chief Traffic and Law Enforcement Services. An answering affidavit, opposing both the claim and the applicant's application for condonation for the late filing of his statement of claim was filed with the Labour Court on 25 March 2014. Pending the outcome of the case, the amount (if any) to be paid for compensation cannot be determined with sufficient reliability. Applicant's claim dismissed with costs by Labour Court on 11 September 2014. Bill of Costs submitted to Taxing Master of the Labour Court on 25 June 2015. Outcome being awaited as at June 2015. Payment finalized in full on 5 July 2016.

The plaintiff, Mr MJ Philips instituted a claim in the Western Cape High Court on 25 May 2016 for compensation to be paid by Swartland Municipality, for alleged injuries suffered at Abbotsdale rugby field in the amount of R451 221.14. Pending the outcome of the case, the amount (if any) to be paid for compensation cannot be determined with sufficient reliability. Combined summons issued by plaintiff on 18 May 2016. Pleas in process of being prepared as at 10 June 2016.

The plaintiff, Ms Samantha Demoreen Daniels instituted a claim in the High Court on behalf of her minor child for payment by Swartland Municipality of an amount of R5 000 000 (five million rand) plus interest thereon for loss of maintenance and support as a result of the death of Mr Sederic Owies, a former municipal employee during a shooting incident on 23 April 2013 whilst on duty. The claim against the Municipality is based on vicarious liability. Pending the outcome of the case, the amount (if any) to be paid for compensation cannot be determined with sufficient reliability. Matter pending. At 30 June 2016 not clear whether claimant is still going ahead with claim.

The plaintiff, Ms Leah Elizabeth Kay instituted a claim in the High Court for payment by Swartland Municipality of an amount of R2 200 000 (Two million two hundred thousand rand) plus interest thereon for loss of maintenance and support as a result of the death of her son, Mr Sederic Owies, a former municipal employee during a shooting incident on 23 April 2013 whilst on duty. The claim against the Municipality is based on vicarious liability. Pending the outcome of the case, the amount (if any) to be paid for compensation cannot be determined with sufficient reliability. Matter still pending.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****54. CONTINGENT ASSET**

To the best of knowledge the Municipality was not engaged in any transaction or event during the year under review involving a contingent asset.

55. IN-KIND DONATION AND ASSISTANCE

The Municipality did not receive any in-kind donation and assistance during the year under review.

56. PRIVATE PUBLIC PARTNERSHIPS

The Municipality has as yet not entered into a public-private partnership agreement with any private party.

57. EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2016.

58. CORRECTION OF ERROR AND CHANGES IN ACCOUNTING POLICY**(a) i) Correction of error - Previous period transactions**

**Total of
correction 2015**

A number of errors in prior period transactions were discovered and corrected in the current financial period. These errors include incorrect property rate charges, faulty meter readings and levies in respect of service charges. These corrections have been applied retrospectively and the effects thereof are as follows:

Decrease / (increase) in Revenue from Non-exchange transactions

1 236

Property rates

1 236

Decrease / (increase) in Revenue from Exchange transactions

347 857

*Service charges**Electricity*

694 877

Water

87 202

Sewerage

(4 170)

Refuse

(266)

*Interest earned - outstanding debtors**Rates*

93

Electricity

528

Water

118

Sewerage

56

Other Debtors

254

*Rent of facilities and equipment**Buildings*

390

Land

2 835

Sites Darling

(1 745)

Staff

(161)

*Other Facilities**Sportground*

1 732

*Other income**Bank Costs*

65

Blocked Sewerage

162

Bulk Waste Dumping

(56 575)

Discount: Fuel

(6 332)

Industrial Sewerage

(404 676)

Municipal Houses

(592)

New Connections: Sewerage

(3 368)

Rates Lessees

(2 136)

Refuse Coupons

(1 596)

Special Waste Dumping

(37 686)

Selling: Purified Sewerage Water

78 848

Increase/(Decrease) in deficit for the year ended 30 June 2014

349 093

Increase/(decrease) in Receivables From Exchange transactions

(347 764)

*Service debtors**Electricity*

(695 405)

Water

(87 320)

Sewerage

4 114

Refuse removal

266

Other

430 581

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****58. CORRECTION OF ERROR AND CHANGES IN ACCOUNTING POLICY (continued)****(a) i) Correction of error - Previous period transactions (continued)****Total of
correction 2015****Increase/(decrease) in Receivables From Non-Exchange transactions****(1 329)***Property rates***(1 329)****(a) ii) Correction of error - legal cost**

During 2014/2015 payments were made for legal costs to councils attorneys for claims instituted against council. These legal costs were recovered by Council's attorneys and subsequently reimbursed to council. The effects thereof are as follows:

Increase/(decrease) in General expenses**(21 264)***Legal fees***(21 264)****(Increase)/decrease in surplus for the year ended 30 June 2015****(21 264)****Increase/(decrease) in Receivables from Exchange transactions****21 264***Other debtors***21 264****(a) iii) Correction of error - workman's compensation**

Amounts claimed from the Workmen's Compensation Commissioner during 2008/2009 and during 2009/2010, which effectively decreases employee expenses, were received during the current financial period. The expenditure and debtor amounts were adjusted to reflect correct amounts in the comparative year. Correction of this error has been applied retrospectively and the effects thereof are as follows:

(Increase)/Decrease/ in Accumulated surplus (2014/15 opening balance)**(75 342)****Increase/(decrease) in Receivables from Exchange transactions (2014/15 opening balance)****75 342****Increase/(decrease) in Receivables from Exchange transactions****75 342***Other debtors***75 342****(a) iv) Correction of error - goods returned**

During 2014/2015 payments were made for cement. The cement was kept at the supplier and was collected as needed. Not all the cement was used and a credit note for the balance was issued. The effects thereof are as follows:

Increase/(decrease) in Repairs and Maintenance**(10 455)***Dumping Site***(10 455)****(Increase)/decrease in surplus for the year ended 30 June 2015****(10 455)****Increase/(decrease) in Receivables from Exchange transactions****10 455***Other debtors***10 455****(a) v) Correction of error - Traffic Fines**

Traffic Fines in the Amount of R361 520 was incorrectly accounted for in the previous year. The effect of the correction are as follows:

(Increase)/decrease in Revenue from Non - Exchange transactions**(361 520)***Fines***(361 520)****(Increase)/decrease in surplus for the year ended 30 June 2015****(361 520)****Increase/(decrease) in Receivables from Non - Exchange transactions****361 520***Traffic Fines***361 520****(a) vi) Correction of error - Bursaries**

Interest on Bursaries in the Amount of R6446 was incorrectly accounted for in the previous year. The effects of the correction are as follows:

(Increase)/decrease in Revenue from Exchange transactions**(6 446)****(Increase)/decrease in surplus for the year ended 30 June 2015****(6 446)****Increase/(decrease) in Receivables from Exchange transactions****6 446***Interest earned - outstanding debtors***6 446**

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****58. CORRECTION OF ERROR AND CHANGES IN ACCOUNTING POLICY (continued)**

(b) i) Adjustment of revenue and surplus for the year

**Total of
correction 2015**

REVENUE	Previously reported	Amount of adjustment	Restated
Revenue from Non-exchange Transactions	210 067 761	360 284	210 428 045
Taxation Revenue	73 331 741	(1 236)	73 330 505
<i>Property rates</i>	73 331 741	(1 236)	73 330 505
Transfer Revenue	105 746 495	-	105 746 495
<i>Government grants and subsidies: Operating</i>	21 534 599	-	21 534 599
<i>Government grants and subsidies: Capital</i>	39 565 334	-	39 565 334
<i>Unconditional Government grants</i>	43 093 000	-	43 093 000
<i>Public Contributions and Donations</i>	1 512 000	-	1 512 000
<i>Other Contributions</i>	41 562	-	41 562
<i>Donated Property, Plant and Equipment</i>	-	-	-
Other Revenue from non-exchange transactions	30 989 525	361 520	31 351 045
<i>Fines</i>	27 316 029	361 520	27 677 549
<i>Licences and permits</i>	3 673 496	-	3 673 496
<i>Other</i>	-	-	-
Revenue from Exchange Transactions	325 280 090	(341 346)	324 938 744
Operating Activities	321 890 144	(341 346)	321 548 798
<i>Service charges</i>	271 667 145	(777 643)	270 889 502
<i>Rental of facilities and equipment</i>	3 429 839	(2 459)	3 427 380
<i>Interest earned - external investments</i>	16 370 827	-	16 370 827
<i>Interest earned - outstanding debtors</i>	1 692 898	5 397	1 698 295
<i>Income for agency services</i>	3 104 549	-	3 104 549
<i>Gains on disposal of property, plant and equipment</i>	1 341 042	-	1 341 042
<i>Other revenue from exchange transactions</i>	24 283 844	433 359	24 717 203
Sale of Land Inventories	3 389 946	-	3 389 946
<i>Revenue on sale of land</i>	4 907 522	-	4 907 522
<i>Cost of land sold</i>	1 517 576	-	1 517 576
Total Revenue	535 347 851	18 938	535 366 789
EXPENDITURE			
<i>Employee related costs</i>	135 230 511		135 230 511
<i>Remuneration of Councillors</i>	8 173 670	-	8 173 670
<i>Debt impairment</i>	16 004 706	-	16 004 706
<i>Depreciation and Amortisation</i>	73 758 162	-	73 758 162
<i>Asset impairment</i>	66 244	-	66 244
<i>Repairs and maintenance</i>	19 650 716	(10 455)	19 640 261
<i>Finance costs</i>	14 767 582	-	14 767 582
<i>Bulk purchases</i>	162 971 555	-	162 971 555
<i>Contracted services</i>	3 554 164	-	3 554 164
<i>Grants and subsidies paid</i>	1 998 840	-	1 998 840
<i>General expenses</i>	51 546 769	(21 199)	51 525 570
<i>Loss on disposal of property, plant and equipment</i>	28 473 972	-	28 473 972
Total Expenditure	516 196 891	(31 654)	516 165 237
SURPLUS/(DEFICIT) FOR THE YEAR	19 150 960	50 592	19 201 552

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****58. CORRECTION OF ERROR AND CHANGES IN ACCOUNTING POLICY (continued)** **Total of
correction 2015**

(b) (ii) Adjustment of opening balances

NET ASSETS

Accumulated Surplus 1 July 2014	1 730 203 269	75 342	1 730 278 611
<i>Correction of error - Workmen's Compensation</i>		75 342	

ASSETS AND LIABILITIES

Receivables from Exchange transactions 1 July 2014	39 828 186	75 342	39 903 528
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Total effect of adjustments to opening balances 1 July 2014**-**

(b) (iii) Adjustment against surplus for the year ended 30 June 2015	19 150 960	50 592	19 201 552
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Total effect of adjustments against accumulated surplus as at 30 June 2015 (ii) and (iii)

1 736 377 801	125 934	1 736 503 735
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Receivables From Exchange Transactions	44 463 171	(234 257)	44 228 914
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*Service debtors**Electricity*

(695 405)

Water

(87 320)

Sewerage

4 114

Refuse removal

266

Other

544 088

Receivables From Non-Exchange Transactions	30 260 918	360 191	30 621 109
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Property Rates

(1 329)

Traffic fines

361 520

RECONCILIATION OF ADJUSTMENTS DUE TO PRIOR PERIOD ERRORS:**ASSETS**

Current assets	330 236 054	125 934	330 361 988
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Cash and Cash Equivalents	245 545 396	-	245 545 396
Receivables from Exchange Transactions	44 463 171	(234 257)	44 228 914
Receivables from Non-Exchange Transactions	30 260 918	360 191	30 621 109
Inventory	8 632 267	-	8 632 267
VAT Receivable	1 271 009	-	1 271 009
Operating lease receivable	42 183	-	42 183
Current Portion of Long-term Receivables	16 356	-	16 356
Current Portion of Finance Lease Receivables	4 754	-	4 754

Non-current assets

Property, plant and equipment	1 794 136 547	-	1 794 136 547
Investment property	1 763 469 742	-	1 763 469 742
Heritage Assets	26 638 601	-	26 638 601
Intangible Assets	3 046 997	-	3 046 997
Long-term receivables	769 900	-	769 900
Finance lease receivables	197 520	-	197 520
	13 787	-	13 787

Total Assets

2 124 372 601	125 934	2 124 498 535
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LIABILITIES

Current liabilities	97 375 642	-	97 375 642
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Payables from exchange transactions	72 491 855	-	72 491 855
Consumer deposits	8 714 594	-	8 714 594
Current portion of Employee benefit liabilities	2 221 825	-	2 221 825
Current Portion of long-term borrowings	3 993 622	-	3 993 622
Unspent conditional grants and receipts	5 727 479	-	5 727 479
Provisions	3 165 999	-	3 165 999
VAT Payable	-	-	-
Current portion of Finance lease liabilities	940 357	-	940 357
Operating lease liability	119 911	-	119 911

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****58. CORRECTION OF ERROR AND CHANGES IN ACCOUNTING POLICY (continued)****Total of
correction 2015****ASSETS (continued)****Non-current liabilities**

Long-term borrowings

Finance lease liabilities

Employee benefit liabilities

190 386 741**-****190 386 741**

133 483 745

-

133 483 745

903 619

-

903 619

55 999 377

-

55 999 377

Total Liabilities**287 762 383****-****287 762 383****NET ASSETS****Total Net Assets**

Statutory Funds

Reserves

Accumulated Surplus

1 836 610 218**125 934****1 836 736 152**

232 417

-

232 417

100 000 000

-

100 000 000

1 736 377 801

125 934

1 736 503 735

Total Net Assets and Liabilities**2 124 372 601****125 934****2 124 498 535**

APPENDIX A**SWARTLAND MUNICIPALITY**
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2016

	Loan Number	Redeemable	Balance at 30/06/2015	Received/ Transferred during the period	Interest capitalised during the period	Redeemed written off during the period	Balance 30/06/2016
EXTERNAL LOANS							
LONG- TERM LOANS							
Development Bank		30/06/2020	262 495	-	-	52 499	209 996
Development Bank		29/12/2028	37 405 742	-	-	1 438 806	35 966 936
Development Bank		29/12/2023	1 718 771	-	-	137 843	1 580 928
Development Bank		31/12/2031	65 603 710	-	-	1 561 971	64 041 739
Sanlam		30/06/2031	32 486 649	-	-	802 503	31 684 146
Total Long- Term Loans			137 477 367	-	-	3 993 622	133 483 745
LEASES							
Sunlyne Rentals			-	-	-	-	-
Microsoft			1 690 526	-	-	623 778	1 066 748
Sasfin			153 450	-	-	95 094	58 356
Total leases			1 843 976	-	-	718 872	1 125 104
TOTAL EXTERNAL LOANS			139 321 343	-	-	4 712 494	134 608 849

APPENDIX B**SWARTLAND MUNICIPALITY****ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2015**

	Cost/Revaluation						Accumulated Depreciation						Carrying Value
	Opening Balance	Transfers	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Transfers	Additions	Impairment	Disposals	Closing Balance	
Land and Buildings													
Land	63 159 698	(62 000)	-	-	1 561 233	61 536 465	21 080	-	-	-	-	21 080	61 515 385
Buildings	306 166 848	-	1 335 308	2 083 912	-	309 586 068	218 511 933	-	5 105 351	-	-	223 617 284	85 968 784
	369 326 546	(62 000)	1 335 308	2 083 912	1 561 233	371 122 533	218 533 013	-	5 105 351	-	-	223 638 364	147 484 169
Infrastructure													
Roads	1 068 788 031	403 876	38 455 606	2 961 501	1 648 543	1 108 960 471	519 712 489	-	25 629 407	-	1 195 958	544 145 938	564 814 533
Sewerage Mains and Purification	670 183 079	(2 745 849)	10 847 697	-	2 935 534	675 349 393	264 302 590	-	13 431 891	-	2 264 836	275 469 645	399 879 748
Electricity Mains	550 304 623	2 105 727	10 629 680	2 833 810	-	565 873 840	236 315 958	-	11 790 806	-	-	248 106 764	317 767 076
Water Mains and Purification	57 845 155	(1 178 802)	255 709	4 949 764	433 695	61 438 131	37 201 296	-	1 347 088	-	322 960	38 225 424	23 212 707
Reservoirs - Water	87 841 980	171 689	3 162 767	-	-	91 176 436	50 780 122	-	1 283 019	-	-	52 063 141	39 113 295
Water Meters	137 800	-	-	-	-	137 800	18 360	-	9 205	-	-	27 565	110 235
Water Mains	500 494 115	1 055 241	3 674 258	-	-	505 223 614	280 909 300	-	6 930 304	-	-	287 839 604	217 384 010
Landfill Sites	8 694 524	-	-	-	-	8 694 524	4 219 030	-	301 747	-	-	4 520 777	4 173 747
Cleaning	1 375 734	-	-	-	-	1 375 734	745 217	-	64 484	3 000	-	812 701	563 033
	2 945 665 041	(188 118)	67 025 717	10 745 075	5 017 772	3 018 229 943	1 394 204 362	-	60 787 951	3 000	3 783 754	1 451 211 559	1 567 018 384
Community Assets													
Parks and Gardens	4 612 298	-	214 039	498 334	3 610	5 321 061	2 230 645	-	193 189	-	3 090	2 420 744	2 900 317
Recreation Grounds	34 196 461	-	982 964	150 000	160 000	35 169 425	23 266 003	-	767 175	-	38 017	23 995 161	11 174 264
Cemeteries	5 022 478	-	420 535	-	20 000	5 423 013	3 479 769	-	145 049	-	18 963	3 605 855	1 817 158
	43 831 237	-	1 617 538	648 334	183 610	45 913 499	28 976 417	-	1 105 413	-	60 070	30 021 760	15 891 739
Movable Assets													
Office Equipment	3 574 777	-	77 549	-	40 572	3 611 754	2 335 442	-	289 432	3 782	32 519	2 596 137	1 015 617
Equipment	17 249 534	-	516 764	-	107 782	17 658 516	8 581 088	-	1 403 961	23 609	90 773	9 917 885	7 740 631
Furniture	1 793 070	-	98 328	-	10 611	1 880 787	1 102 733	-	116 019	123	9 451	1 209 424	671 363
Fittings	391 371	-	16 840	-	-	408 211	304 766	-	5 863	-	-	310 629	97 582
Bins and Containers	192 878	-	-	-	-	192 878	24 671	-	10 785	-	-	35 456	157 422
Security Equipment	895 531	-	33 402	-	10 465	918 468	437 989	-	115 764	-	10 437	543 316	375 152
Emergency Equipment	63 834	-	3 000	-	6 615	60 219	20 405	-	8 552	22	6 605	22 374	37 845
Motor Vehicles	32 079 749	-	1 324 192	-	1 127 238	32 276 703	9 623 046	-	1 846 750	491 438	640 001	11 321 233	20 955 470
Specialized Vehicles	11 234 745	-	-	-	79 840	11 154 905	2 765 140	-	606 972	-	39 060	3 333 052	7 821 853
Computer Equipment	9 878 155	-	347 243	-	1 058 458	9 166 940	5 952 589	-	996 026	20 709	965 669	6 003 655	3 163 285
	77 353 644	-	2 417 318	-	2 441 581	77 329 381	31 147 869	-	5 400 124	539 683	1 794 515	35 293 161	42 036 220
Leased Assets													
Office Equipment	382 407	-	-	-	-	382 407	227 472	-	59 944	-	-	287 416	94 991
	382 407	-	-	-	-	382 407	227 472	-	59 944	-	-	287 416	94 991
Total: Property, Plant and Equipment	3 436 558 875	(250 118)	72 395 881	13 477 321	9 204 196	3 512 977 763	1 673 089 133	-	72 458 783	542 683	5 638 339	1 740 452 260	1 772 525 503

APPENDIX B**SWARTLAND MUNICIPALITY****ANALYSIS OF INVESTMENT PROPERTY, INTANGIBLE AND HERITAGE ASSETS AS AT 30 JUNE 2015**

	Cost/Revaluation						Accumulated Depreciation						
	Opening Balance	Transfers	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Transfers	Additions	Impairment	Disposals	Closing Balance	Carrying Value
Investment Properties	30 376 999	(100 704)	3 334 501	-	677 172	32 933 624	3 738 398	-	24 792	-	186	3 763 004	29 170 620
Intangible Assets	5 100 455	188 118	8 136	-	208 741	5 087 968	2 053 458	-	734 600	-	180 479	2 607 579	2 480 389
Heritage Assets	769 900	-	-	-	-	769 900	-	-	-	-	-	-	769 900
Total	36 247 354	87 414	3 342 637	-	885 913	38 791 492	5 791 856	-	759 392	-	180 665	6 370 583	32 420 909
Grand Total	3 472 806 229	(162 704)	75 738 518	13 477 321	10 090 109	3 551 769 255	1 678 880 989	-	73 218 175	542 683	5 819 004	1 746 822 843	1 804 946 412

APPENDIX CSWARTLAND MUNICIPALITY
SEGMENTAL ANALYSIS OF ASSETS AT 30 JUNE 2016

	Cost/Revaluation						Accumulated Depreciation						Carrying Value
	Opening Balance	Transfers	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Transfers	Additions	Impairment	Disposals	Closing Balance	
Occupational Health and Safety	79 716	-	3 584	-	-	83 300	17 921	-	6 827	118	-	24 866	58 434
Administration Civil	318 359	-	561	-	-	318 920	124 949	-	48 281	728	-	173 958	144 962
Administration Development Services	1 383 211	-	-	-	163 059	1 220 152	609 940	-	40 137	1 303	135 616	515 764	704 388
Administration Corporate Services	3 904 569	-	1 211 656	-	102 133	5 014 092	2 719 119	-	75 784	1 533	89 181	2 707 255	2 306 837
Administration Financial Services	8 319 573	-	529 609	-	231 486	8 617 696	5 447 147	-	564 168	10 619	169 189	5 852 745	2 764 951
Administration Municipal Manager	45 808	-	-	-	-	45 808	16 320	-	6 750	-	-	23 070	22 738
Administration Protection Services	2 330	-	-	-	-	2 330	1 812	-	131	-	-	1 943	387
Building Control	52 494	-	26 120	-	-	78 614	15 875	-	11 843	-	-	27 718	50 896
Caravan Park - Yzerfontein	236 194	-	-	-	-	236 194	105 745	-	10 524	-	-	116 269	119 925
Cemeteries	5 797 681	-	420 535	-	66 605	6 151 611	4 001 463	-	161 575	-	18 963	4 144 075	2 007 536
Community Development	32 919	-	-	-	-	32 919	18 386	-	3 409	-	-	21 795	11 124
Council	458 052	-	3 977	-	-	462 029	48 823	-	43 730	-	-	92 553	369 476
Planning and Valuation	63 970	-	-	-	-	63 970	22 640	-	9 344	-	-	31 984	31 986
Electricity Distribution	555 385 226	-	11 062 867	2 833 810	195 355	569 086 548	239 852 818	-	12 573 391	317	147 751	252 278 775	316 807 773
Fire Fighting	2 194 251	-	23 694	-	112 040	2 105 905	947 902	-	187 309	-	71 228	1 063 983	1 041 922
Housing	37 406 319	-	939 550	-	-	38 345 869	1 291 529	-	640 627	1 200	-	1 933 356	36 412 513
Human Resources	31 289	-	-	-	-	31 289	21 288	-	1 931	48	-	23 267	8 022
Internal Audit	-	-	5 158	-	-	5 158	-	-	156	-	-	156	5 002
IT Services	7 166 488	-	327 538	-	459 574	7 034 452	2 341 511	-	1 179 823	1 626	440 961	3 081 999	3 952 453
Libraries	3 502 961	-	207 997	2 083 912	25 219	5 769 651	659 786	-	329 155	2 119	20 147	970 913	4 798 738
Licencing and Traffic Services	3 398 691	-	41 540	-	512 784	2 927 447	2 168 734	-	131 470	37 553	315 782	2 021 975	905 472
Multi- Purpose Centre	24 382	-	8 065	-	-	32 447	4 043	-	5 608	-	-	9 651	22 796
Municipal Property	362 486 314	(162 704)	2 396 909	-	2 555 929	362 164 590	205 645 636	-	4 270 579	14 346	313 957	209 616 604	152 547 986
Parks and Recreational Areas	10 291 724	-	276 933	498 334	18 167	11 048 824	4 369 670	-	527 063	9 966	13 246	4 893 453	6 155 371
Policing and Law Enforcement	1 689 659	-	683 300	-	18 609	2 354 350	419 049	-	275 784	1 668	7 871	688 630	1 665 720
Refuse Removal	38 989 407	-	13 825	-	-	39 003 232	14 805 443	-	1 376 566	207 451	10 271	16 379 189	22 624 043
Sewerage	670 127 584	-	10 895 873	-	2 952 230	678 071 227	266 905 614	-	13 793 366	203 485	2 274 339	278 628 126	399 443 101
Sportgrounds	53 121 530	-	958 989	150 000	160 560	54 069 959	32 605 418	-	1 249 143	-	38 548	33 816 013	20 253 946
Supply Chain Management	-	-	2 311	-	-	2 311	-	-	234	-	-	234	2 077
Streets and Stormwater	1 062 415 258	-	38 482 018	2 961 501	1 966 913	1 101 891 864	523 484 624	-	26 005 439	19	1 360 373	548 129 709	553 762 155
Swimming Pools	15 514	-	-	-	-	15 514	12 953	-	178	-	-	13 131	2 383
Tourism	4 337	-	-	-	-	4 337	3 963	-	4	-	-	3 967	370
Town and Community Halls	153 930	-	21 490	-	-	175 420	39 512	-	16 543	-	-	56 055	119 365
Water Services	643 706 489	-	7 194 419	4 949 764	549 446	655 301 226	370 151 356	-	9 671 303	48 584	391 581	379 479 662	275 821 564
TOTAL	3 472 806 229	(162 704)	75 738 518	13 477 321	10 090 109	3 551 769 255	1 678 880 989	-	73 218 175	542 683	5 819 004	1 746 822 843	1 804 946 412

APPENDIX D**SWARTLAND MUNICIPALITY****SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016**

2015	2015	2015		2016	2016	2016
Restated	Restated	Restated		Actual	Actual	Surplus/
Actual	Actual	Surplus/		Income	Expenditure	(Deficit)
Income	Expenditure	(Deficit)		Income	Expenditure	(Deficit)
R	R	R		R	R	R
4 716 344	23 009 452	(18 293 108)	Executive and Council	762 162	24 724 825	(23 962 663)
173 448 788	87 132 933	86 315 855	Finance and Administration	123 236 852	56 915 613	66 321 239
3 485 281	10 678 851	(7 193 570)	Planning and Development	4 320 441	12 258 026	(7 937 585)
6 823 011	13 249 190	(6 426 179)	Community and Social Services	9 547 155	15 690 912	(6 143 757)
306 519	1 815 444	(1 508 925)	Housing	46 114 438	21 336 339	24 778 099
28 135 368	31 776 295	(3 640 927)	Public Safety	17 675 251	30 188 225	(12 512 974)
1 345 849	15 540 139	(14 194 290)	Sport and Recreation	5 515 837	16 494 347	(10 978 510)
-	-	-	Environmental Protection	-	-	-
37 775 346	38 107 191	(331 845)	Waste Water Management	49 066 730	40 275 031	8 791 699
26 171 228	24 790 691	1 380 537	Waste Management	31 799 784	26 480 072	5 319 712
5 987 691	51 979 484	(45 991 793)	Road Transport	31 812 388	63 914 596	(32 102 208)
45 566 260	49 269 687	(3 703 427)	Water	56 970 055	52 231 478	4 738 577
201 605 104	168 815 880	32 789 224	Electricity	236 045 725	194 948 412	41 097 313
535 366 789	516 165 237	19 201 552	Sub Total	612 866 818	555 457 876	57 408 942

APPENDIX E (1)**SWARTLAND MUNICIPALITY****ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2016**

	2016 Actual R	2016 Budget R	2016 Variance R	2016 Variance %	Explanation of Significant Variances greater than 10 % versus Budget
REVENUE					
Revenue from Non-exchange Transactions	251 988 878	264 575 953	(12 587 075)	(4.76)	
Taxation Revenue	79 973 021	78 938 661	1 034 360	1.31	
Property rates	79 973 021	78 938 661	1 034 360	1.31	
Transfer Revenue	150 896 263	156 628 732	(5 732 469)	(3.66)	
Government grants and subsidies: Operating	42 075 284	43 418 269	(1 342 985)	(3.09)	
Government grants and subsidies: Capital	54 545 959	58 958 063	(4 412 104)	(7.48)	
Unconditional Government grants	51 772 000	51 772 000	-	-	
Public Contributions and donations	1 500 000	1 500 000	-	-	
Other Contributions	980 440	980 400	40	-	
Donated Property, Plant and Equipment	22 580	-	22 580	100.00	Unexpected donation of asset. Immaterial amounts.
Other Revenue from non-exchange transactions	21 119 594	29 008 560	(7 888 966)	(27.20)	
Fines	17 351 387	25 735 313	(8 383 926)	(32.58)	Significant decrease in traffic fines due to the withdraw, expiring of fines, reducing and cancellation of fines by the court
Licences and permits	3 768 207	3 273 247	494 960	15.12	Growth in the number of vehicles resulted in the increase in licencing services.

APPENDIX E (1)**SWARTLAND MUNICIPALITY****ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 2016**

	2016 Actual R	2016 Budget R	2016 Variance R	2016 Variance %	Explanation of Significant Variances greater than 10 % versus Budget
REVENUE (continued)					
Revenue from Exchange Transactions	360 877 940	334 603 018	26 274 922	7.85	
Operating Activities	356 403 136	334 603 018	21 800 118	6.52	
Service charges	305 357 952	293 191 058	12 166 894	4.15	
Rental of facilities and equipment	3 646 065	3 349 200	296 865	8.86	
Interest earned - external investments	20 215 070	17 800 150	2 414 920	13.57	Increase in funds available for investment and higher interest rate than expected.
Interest earned - outstanding debtors	1 748 686	1 375 932	372 754	27.09	Outstanding Debtors increased due to the poor economic conditions with a corresponding increase in late payments.
Income for agency services	3 558 400	2 799 123	759 277	27.13	Increase in motor vehicle licences being issued.
Gains on Disposal of Property, Plant and Equipment	419 152	200 000	219 152	109.58	Net profit realised on sale of Property Plant and Equipment at the municipal auction was higher than expected.
Other revenue from exchange transactions	21 457 811	15 887 555	5 570 256	35.06	Income realised more than expected due to several line- items realising more income than budgeted of which the following are examples: <ul style="list-style-type: none"> • Capital contributions; • Gain on Vesting of Properties; • Selling: Purified Water; • Industrial Sewerage; • New Connections; and • Plan Fees: Buildings.
Sale of Land Inventories	4 474 804	-	4 474 804	-	
<i>Revenue on sale of land</i>	<i>4 982 520</i>	<i>-</i>	<i>4 982 520</i>	<i>100.00</i>	Not budgeted.
<i>Cost of land sold</i>	<i>507 716</i>	<i>-</i>	<i>507 716</i>	<i>100.00</i>	Not budgeted.
Total Revenue	612 866 818	599 178 971	13 687 847	2.28	
EXPENDITURE					
Employee related costs	156 127 394	159 371 746	(3 244 352)	(2.04)	
Remuneration of Councillors	8 643 929	9 530 090	(886 161)	(9.30)	
Debt impairment	10 488 115	31 013 193	(20 525 078)	(66.18)	Estimation of debt impairment less than anticipated.
Depreciation and Amortisation	73 760 858	78 875 759	(5 114 901)	(6.48)	
Interest paid	14 483 511	14 500 602	(17 091)	(0.12)	
Bulk purchases	187 832 391	189 283 741	(1 451 350)	(0.77)	

APPENDIX E (1)**SWARTLAND MUNICIPALITY****ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 2016**

	Actual R	Budget R	Variance R	Variance %	Explanation of Significant Variances greater than 10 % versus Budget
EXPENDITURE (continued)					
Contracted services	3 661 461	3 820 342	(158 881)	(4.16)	Expenditure realised lower than anticipated due to several line- items that have been underspent of which the following are examples: <ul style="list-style-type: none"> • Bankcost; • Housing Phola Park; • Fuel Vehicles; • Planning/Refurbishment: Municipal Flats; and • Traffic Fines: Syntel;
Grants and subsidies paid	2 033 134	2 136 780	(103 646)	(4.85)	
General expenses	94 155 977	109 543 154	(15 387 177)	(14.05)	
Loss on disposal of property, plant and equipment	4 271 106	2 144 154	2 126 952	99.20	
Total Expenditure	555 457 876	600 219 561	(44 761 685)	(7.46)	More infrastructure assets disposed due to aging than expected.
OPERATING SURPLUS/(DEFICIT) FOR THE YEAR	57 408 942	(1 040 590)	58 449 532		

APPENDIX E (2)**SWARTLAND MUNICIPALITY****ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2016**

	2016 Actual R	2016 Under Construction R	2016 Total Additions R	2016 Budget R	2016 Variance R	2016 Variance %	Explanation of Significant Variances greater than 10 % versus Budget
Executive and Council	4 071 963	-	4 071 963	4 331 410	(259 447)	(5.99)	
Finance and Administration	1 170 421	-	1 170 421	1 389 074	(218 653)	(15.74)	Less Water Demand Management Meters installed than expected.
Planning and Development	-	-	-	-	-	-	
Health	-	-	-	-	-	-	
Community and Social Services	458 304	-	458 304	628 066	(169 762)	(27.03)	Fencing of Malmesbury Library less than budgeted for.
Housing	34 264 794	-	34 264 794	36 015 039	(1 750 245)	(4.86)	
Public Safety	914 675	-	914 675	924 000	(9 325)	(1.01)	
Sport and Recreation	1 045 970	648 334	1 694 304	1 720 400	(26 096)	(1.52)	
Environmental Protection	-	-	-	-	-	-	
Waste Management	3 616 726	-	3 616 726	4 705 450	(1 088 724)	(23.14)	Project budgeted for did not fully realise.
Road Transport	18 321 658	2 961 501	21 283 159	21 317 439	(34 280)	(0.16)	
Water	3 078 426	4 949 764	8 028 190	8 228 945	(200 755)	(2.44)	
Electricity	8 605 992	2 833 810	11 439 802	11 441 614	(1 812)	(0.02)	
Other	-	-	-	-	-	-	
	75 548 929	11 393 409	86 942 338	90 701 437	(3 759 099)	(4.14)	

APPENDIX F**SWARTLAND MUNICIPALITY****DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MFMA, 56 OF 2003****Grant and Subsidies Received**

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly expenditure				Grants and Subsidies delayed / withheld				Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of the grant framework in the latest Division of Revenue Act
		September	December	March	June	September	December	March	June	September	December	March	June		Yes / No
Community Development Workers	Provincial Department of Local Government	36 000	-	-	-	2 259	19 822	7 345	4 887	-	-	-	-	None	Yes
Energy Efficiency And Demand Sufficiency	National Department of Energy	-	-	5 000 000	-	-	-	-	5 000 000	-	-	-	-	None	Yes
Equitable Share	National Department of Cooperative Governance and	21 572 000	17 257 000	12 943 000	-	21 572 000	17 257 000	12 943 000	-	-	-	-	-	None	Yes
Extended Public Works Programme	National Department of Public Works	474 000	356 000	355 000	-	303 632	594 580	286 788	-	-	-	-	-	None	Yes
Financial Support: Bulk SMS System	Provincial Department of Finance	-	-	49 533	-	-	-	-	49 533						
Financial Management Support Grant: SCOA	Provincial Department of Finance	-	50 000	-	-	-	7 243	6 224	-						
Financial Management Support Grant: Long- Term Financial Plan	Provincial Department of Finance	-	-	-	-	-	-	70 000	30 000	-	-	-	-	None	Yes
Fire Damaged Houses	Provincial Department of Human Settlements	-	-	-	-	48 334	-	-	-	-	-	-	-	None	Yes
Greenest Town	Provincial Department of Environmental Affairs and Development Planning	-	-	50 000	-	50 000	-	-	-	-	-	-	-	None	Yes
Housing Abbotsdale	Provincial Department of Human Settlements	-	-	-	-	-	-	-	-	-	-	-	-	None	Yes
Housing Phola Park	Provincial Department of Human Settlements	5 559 150	25 146 792	22 341 326	-	4 631 846	14 000 737	13 425 927	12 766 399	-	-	-	-	None	Yes
Library	Provincial Department of Cultural Affairs and Sport	4 203 333	2 203 334	2 203 333	-	1 303 078	1 923 446	1 809 903	3 576 754	-	-	-	-	None	Yes
Local Government Financial Management Grant	National Treasury	1 450 000	-	-	-	377 685	405 575	434 129	331 316	-	-	-	-	None	Yes
Municipal Infrastructure Grant	National Department of Cooperative Governance and Traditional Affairs	4 000 000	7 337 000	11 372 000	-	4 721 158	7 805 113	3 738 760	6 443 969	-	-	-	-	None	Yes
Municipal Systems Improvement Grant	National Department of Cooperative Governance and Traditional Affairs	930 000	-	-	-	27 000	59 238	141 329	390 166	-	-	-	-	None	Yes

APPENDIX F**SWARTLAND MUNICIPALITY****DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MFMA, 56 OF 2003(continued)****Grant and Subsidies Received**

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly expenditure				Grants and Subsidies delayed / withheld				Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of the grant framework in the latest Division of Revenue Act
		September	December	March	June	September	December	March	June	September	December	March	June		
Proclaimed Roads Subsidy	Provincial Department of Transport and Public Works	-	-	9 948 000	-	-	653 762	8 284 166	1 010 072	-	-	-	-	None	Yes
Refurbishment of Municipal Flats	Provincial Department of Housing	118 408	893 945	-	-	-	1 012 354	-	-						
Regional Socio - Economic Project (RSEP)		750 000	1 100 000	-	-	17 400	75 980	-	573 334						
Sondeza	Provincial Department of Local Government	-	-	100 000	-	63 958	36 042	-	-	-	-	-	-	None	Yes
Thusong Centre	Provincial Department of Local Government	-	100 000	-	-	100 000	-	-	-	-	-	-	-	None	Yes
Total		39 092 891	54 444 071	64 362 192	-	33 218 350	43 850 892	41 147 571	30 176 430	-	-	-	-		

*** Reasons for non- compliance**

No expenditure was incurred in this financial year. The funding will be utilised in the next financial year.

APPENDIX G**SWARTLAND MUNICIPALITY****TEMPLATE FOR CALCULATION OF UNIFORM FINANCIAL RATIOS AND NORMS**

	The green colour indicates that the result is within the norm and is acceptable
	The red colour indicates that the result is not acceptable and corrective actions/plans should be put in place to improve the results.
	Data should be captured in the blue colour cell to calculate a ratio.
#	In situations where the results are not within the acceptable norm, corrective actions/plans should be taken and referenced

RATIO		FORMULA	NORM		2016	2015	
					R	R	
1. FINANCIAL POSITION							
A. Asset Management/Utilisation							
1	Capital Expenditure to Total Expenditure	Total Capital Expenditure / Total Expenditure (Total Operating expenditure + Capital expenditure) × 100	10% - 20%		13.53%	15.97%	Please refer to page 2 of MFMA Circular No.71
				Total Operating Expenditure	555 457 876	516 165 237	
				Taxation Expense	-		
				Total Capital Expenditure	86 942 337	98 121 802	
2	Impairment of Property, Plant and Equipment, Investment Property, Heritage and Intangible assets (Carrying Value)	Property, Plant and Equipment + Investment Property + Intangible Assets Impairment/(Total Property, Plant and Equipment + Investment Property + Intangible Assets) × 100	0%		0.03%	0.00%	Please refer to page 3 of MFMA Circular No. 71
				PPE, Investment Property and Intangible Impairment	542 683	66 244	
				PPE at carrying value	1 772 525 503	1 763 469 742	
				Investment at carrying value	29 170 620	26 638 601	
				Heritage Assets at carrying value	769 900	769 900	
				Intangible Assets at carrying value	2 480 389	3 046 997	

APPENDIX G**SWARTLAND MUNICIPALITY****TEMPLATE FOR CALCULATION OF UNIFORM FINANCIAL RATIOS AND NORMS**

RATIO		FORMULA	NORM		2016	2015	
					R	R	
A. Asset Management/Utilisation (continued)							
3	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	Total Repairs and Maintenance Expenditure/ Property, Plant and Equipment and Investment Property (Carrying value) x 100	> 8%		1.68%	1.10%	Please refer to page 4 of MFMA Circular No. 71
				Total Repairs and Maintenance Expenditure	30 293 061	19 640 261	
				PPE at carrying value	1 772 525 503	1 763 469 742	
				Investment Property at Carrying value	29 170 620	26 638 601	
B. Debtors Management							
1	Collection Rate	(Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance - Bad Debts Written Off)/Billed Revenue x 100	95%		98.14%	97.49%	Please refer to page 5 of MFMA Circular No. 71
				Gross Debtors closing balance	59 782 059	54 570 879	
				Gross Debtors opening balance	54 570 879	50 539 348	
				Bad debts written Off	1 970 965	4 664 818	
				Billed Revenue	387 079 659	345 918 302	
2	Bad Debts Written-off as % of Provision for Bad Debt	Bad Debts Written-off/Provision for Bad debts x 100	100%		43.30%	101.16%	Please refer to page 5 of MFMA Circular No. 71
				Consumer Debtors Bad debts written off	1 970 965	4 664 818	
				Consumer Debtors Current bad debt Provision	4 552 327	4 611 482	
3	Net Debtors Days	(((Gross Debtors - Bad debt Provision)/ Actual Billed Revenue)) x 365	30 days		52 days	53 days	Please refer to page 6 of MFMA Circular No. 71
				Gross debtors	59 782 059	54 570 879	
				Bad debts Provision	4 552 327	4 611 482	
				Billed Revenue	387 079 659	345 918 302	

APPENDIX G**SWARTLAND MUNICIPALITY****TEMPLATE FOR CALCULATION OF UNIFORM FINANCIAL RATIOS AND NORMS**

RATIO		FORMULA	NORM		2016	2015	
					R	R	
C. Liquidity Management							
1	Cash / Cost Coverage Ratio (Excl. Unspent Conditional Grants)	((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provision for Bad Debts, Impairment and Loss on Disposal of Assets)	1 - 3 Months		6 Month	6 Month	Please refer to page 7 of MFMA Circular No. 71
				Cash and cash equivalents	299 134 038	245 545 396	
				Unspent Conditional Grants	6 033 773	5 727 479	
				Overdraft	-	-	
				Short Term Investments	-	-	
				Total Annual Operational Expenditure	555 457 876	516 165 237	
2	Current Ratio	Current Assets / Current Liabilities	1.5 - 2:1		3.75	3.39	Please refer to page 7 of MFMA Circular No. 71
				Current Assets	385 444 724	330 361 988	
				Current Liabilities	102 918 622	97 375 642	
D. Liability Management							
1	Capital Cost(Interest Paid and Redemption) as a % of Total Operating Expenditure	Capital Cost(Interest Paid and Redemption) / Total Operating Expenditure x 00	6% - 8%		3.46%	3.72%	Please refer to page 8 of MFMA Circular No. 71
				Interest Paid	14 483 511	14 767 582	
				Redemption	4 712 494	4 423 991	
				Total Operating Expenditure	555 457 876	516 165 237	
				Taxation Expense	-	-	
2	Debt (Total Borrowings) / Revenue	(Overdraft + Current Finance Lease Obligation + Non current Finance Lease Obligation + Short Term Borrowings + Long term borrowing) / (Total Operating Revenue - Operational Conditional Grants) x 100	45%		23.39%	26.76%	Please refer to page 9 of MFMA Circular No. 71
				Total Debt	133 483 745	137 477 367	
				Total Operating Revenue	612 866 818	535 366 789	
				Operational Conditional Grants	42 075 284	21 534 599	

APPENDIX G

SWARTLAND MUNICIPALITY

TEMPLATE FOR CALCULATION OF UNIFORM FINANCIAL RATIOS AND NORMS

RATIO	FORMULA	NORM		2016	2015	
				R	R	

E. Sustainability

1	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	(Cash and Cash Equivalents - Bank overdraft + Short Term Investment + Long Term Investment - Unspent grants) / (Net Assets - Accumulated Surplus - Non Controlling Interest Share Premium - Share Capital - Fair Value Adjustment - Revaluation Reserve) x 100	100%		207.99%	239.26%	Please refer to page 9 of MFMA Circular No. 71
				Cash and cash Equivalents	299 134 038	245 545 396	
				Bank Overdraft	-	-	
				Short Term Investment	-	-	
				Long Term Investment	-	-	
				Unspent Grants	6 033 773	5 727 479	
				Net Assets	1 894 145 094	1 836 736 152	
				Share Premium	-	-	
				Share Capital	-	-	
				Revaluation Reserve	-	-	
				Reserve	-	-	
				Accumulated Surplus	1 753 227 224	1 736 503 735	

1	Net Operating Surplus Margin	(Total Operating Revenue - Total Operating Expenditure)/Total Operating Revenue	= or > 0%		9.37%	3.59%	Please refer to page 10 of MFMA Circular No. 71
				Total Operating Revenue	612 866 818	535 366 789	
				Depreciation - Revalued Portion <i>(Only populate if depreciation line item in the Statement of Financial Performance is based on the revalued asset value)</i>	-	-	
				Total Operating Expenditure	555 457 876	516 165 237	
				Taxation Expense	-	-	

APPENDIX G**SWARTLAND MUNICIPALITY****TEMPLATE FOR CALCULATION OF UNIFORM FINANCIAL RATIOS AND NORMS**

RATIO		FORMULA	NORM		2016	2015	
					R	R	
2. FINANCIAL PERFORMANCE (continued)							
2	Net Surplus /Deficit Electricity	Total Electricity Revenue less Total Electricity Expenditure/Total Electricity Revenue x 100	0% - 15%		17.41%	16.26%	Please refer to page 10 of MFMA Circular No. 71
				Total Electricity Revenue	236 045 725	201 605 104	
				Total Electricity Expenditure	194 948 412	168 815 880	
3	Net Surplus /Deficit Water	Total Water Revenue less Total Water Expenditure/Total Water Revenue x 100	= or > 0%		8.32%	-8.13%	Please refer to page 11 of MFMA Circular No. 71
				Total Water Revenue	56 970 055	45 566 260	
				Total Water Expenditure	52 231 478	49 269 687	
4	Net Surplus /Deficit Refuse	Total Refuse Revenue less Total Refuse Expenditure/Total Refuse Revenue x 100	= or > 0%		16.73%	5.28%	Please refer to page 12 of MFMA Circular No. 71
				Total Refuse Revenue	31 799 784	26 171 228	
				Total Refuse Expenditure	26 480 072	24 790 691	
5	Net Surplus /Deficit Sanitation and Waste Water	Total Sanitation and Waste Water Revenue less Total Sanitation and Waste Water Expenditure/Total Sanitation and Waste Water Revenue x 100	= or > 0%		17.92%	-0.88%	Please refer to page 12 of MFMA Circular No. 71
				Total Sanitation and Water Waste Revenue	49 066 730	37 775 346	
				Total Sanitation and Water Waste Expenditure	40 275 031	38 107 191	
B. Distribution Losses							
1	Electricity Distribution Losses (Percentage)	(Number of Electricity Units Purchased and/or Generated - Number of units sold) / Number of Electricity Units Purchased and/or generated) x 100	7% - 10%		6.12%	5.71%	Please refer to page 13 of MFMA Circular No. 71
				Number of units purchased and/or generated	190 103 565	185 534 708	
				Number of units sold	178 466 815	174 944 975	

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RATIO		FORMULA	NORM		2016	2015	
					R	R	
B. Distribution Losses (continued)							
2	Water Distribution Losses (Percentage)	(Number of Kilolitres Water Purchased or Purified - Number of Kilolitres Water Sold) / Number of Kilolitres Water Purchased or Purified x 100	15% - 30%		19.29%	15.67%	Please refer to page 13 of MFMA Circular No. 71
				Number of kilolitres purchased and/or purified	5 483 969	5 914 895	
				Number of kilolitres sold	4 425 940	4 988 081	
C. Revenue Management							
1	Growth in Number of Active Consumer Accounts	(Period under review's number of Active Debtor Accounts - previous period's number of Active Debtor Accounts)/ previous number of Active Debtor Accounts x 100	None		-1.18%	17.64%	Please refer to page 14 of MFMA Circular No. 71
				Number of Active Debtors Accounts (Previous)	281 864	239 591	
				Number of Active Debtors Accounts (Current)	278 548	281 864	
2	Revenue Growth (%)	(Period under review's Total Revenue - previous period's Total Revenue)/ previous period's Total Revenue) x 100	= CPI		14.48%	7.21%	Please refer to page 15 of MFMA Circular No. 71
				CPI	5.58%	4.70%	
				Total Revenue (Previous)	535 366 789	499 360 817	
				Total Revenue (Current)	612 866 818	535 366 789	
3	Revenue Growth (%) - Excluding capital grants	(Period under review's Total Revenue Excluding capital grants- previous period's Total Revenue excluding capital grants)/ previous period's Total Revenue excluding capital grants) x 100	= CPI		12.61%	8.23%	Please refer to page 15 of MFMA Circular No. 71
				CPI	5.58%	4.70%	
				Total Revenue Exl.Capital (Previous)	495 801 455	458 104 956	
				Total Revenue Exl.Capital (Current)	558 320 859	495 801 455	

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RATIO		FORMULA	NORM		2016 R	2015 R	
D. Expenditure Management							
1	Creditors Payment Period (Trade Creditors)	Trade Creditors Outstanding / Credit Purchases (Operating and Capital) × 365	30 days		47.93 days	61.35 days	Please refer to page 16 of MFMA Circular No.71
				Trade Creditors	48 923 360	56 447 963	
				Contracted Services	3 661 461	3 554 164	
				Repairs and Maintenance	30 293 061	19 640 261	
				General expenses	63 862 916	51 525 570	
				Bulk Purchases	187 832 391	162 971 555	
				Capital Credit Purchases (Capital Credit Purchases refers to additions of Investment Property and Property, Plant and Equipment)	86 934 201	98 121 802	
2	Irregular, Fruitless and Wasteful and Unauthorised Expenditure / Total Operating Expenditure	(Irregular, Fruitless and Wasteful and Unauthorised Expenditure) / Total Operating Expenditure × 100	0%		0.11%	4.28%	Please refer to page 16 of MFMA Circular No. 71
				Irregular, Fruitless and Wasteful and Unauthorised Expenditure	632 248	22 092 600	
				Total Operating Expenditure	555 457 876	516 165 237	
				Taxation Expense	-	-	
3	Remuneration as % of Total Operating Expenditure	Remuneration (Employee Related Costs and Councillors' Remuneration) / Total Operating Expenditure × 100	25% - 40%		29.66%	27.78%	Please refer to page 17 of MFMA Circular No. 71
				Employee/personnel related cost	156 127 394	135 230 511	
				Councillors Remuneration	8 643 929	8 173 670	
				Total Operating Expenditure	555 457 876	516 165 237	
				Taxation Expense	-	-	

APPENDIX G**SWARTLAND MUNICIPALITY****TEMPLATE FOR CALCULATION OF UNIFORM FINANCIAL RATIOS AND NORMS**

RATIO		FORMULA	NORM		2016	2015	
					R	R	
D. Expenditure Management (continued)							
4	Contracted Services % of Total Operating Expenditure	Contracted Services / Total Operating Expenditure x100	2% - 5%		0.66%	0.69%	Please refer to page 17 of MFMA Circular No. 71
				Contracted Services	3 661 461	3 554 164	
				Total Operating Expenditure	555 457 876	516 165 237	
				Taxation Expense	-	-	
E. Grant Dependency							
1	Own funded Capital Expenditure (Internally generated funds + Borrowings) to Total Capital Expenditure	Own funded Capital Expenditure (Internally generated funds + Borrowings) / Total Capital Expenditure x 100	None		31.33%	58.52%	Please refer to page 18 of MFMA Circular No. 71
				Internally generated funds	27 233 816	55 068 990	
				Borrowings	-	2 348 779	
				Total Capital Expenditure	86 934 201	98 121 802	
2	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	Own funded Capital Expenditure (Internally Generated Funds) / Total Capital Expenditure x 100	None		31.32%	56.12%	Please refer to page 18 of MFMA Circular No. 71
				Internally generated funds	27 233 816	55 068 990	
				Total Capital Expenditure	86 942 337	98 121 802	
3	Own Source Revenue to Total Operating Revenue(Including Agency Revenue)	Own Source Revenue (Total revenue - Government grants and Subsidies - Public Contributions and Donations)/ Total Operating Revenue (including agency services) x 100	None		92.69%	94.64%	Please refer to page 18 of MFMA Circular No. 71
				Total Revenue	612 866 818	535 366 789	
				Government grant and subsidies	93 847 284	64 627 599	
				Public contributions and Donations	1 500 000	1 512 000	
				Capital Grants	54 545 959	39 565 334	

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RATIO		FORMULA	NORM		2016 R	2015 R	
3. BUDGET IMPLEMENTATION							
A. Efficiency							
1	Capital Expenditure Budget Implementation Indicator	Actual capital Expenditure / Budget Capital Expenditure x 100	95% - 100%		95.86%	86.45%	Please refer to page 19 of MFMA Circular No. 71
				Actual Capital Expenditure	86 942 337	98 121 802	
				Budget Capital Expenditure	90 701 437	113 495 708	
2	Operating Expenditure Budget Implementation Indicator	Actual Operating Expenditure / Budgeted Operating Expenditure x 100	95% - 100%		92.54%	94.43%	Please refer to page 20 of MFMA Circular No. 71
				Actual Operating Expenditure	555 457 876	516 165 237	
				Budget Operating Expenditure	600 219 561	546 640 374	
3	Operating Revenue Budget Implementation Indicator	Actual Operating Revenue / Budget Operating Revenue x 100	95% - 100%		102.71%	99.68%	Please refer to page 20 of MFMA Circular No. 71
				Actual Operating Revenue	612 866 818	535 366 789	
				Budget Operating Revenue	596 698 571	537 097 670	
4	Service Charges and Property Rates Revenue Budget Implementation Indicator	Actual Service Charges and Property Rates Revenue / Budget Service Charges and Property Rates Revenue x 100	95% - 100%		103.55%	103.16%	Please refer to page 21 of MFMA Circular No. 71
				Actual Service Charges and Property Rates Revenue	385 330 973	344 220 007	
				Budget Service Charges and Property Rates Revenue	372 129 719	333 691 782	